No. 02-695

Supreme Court, U.S.
FILED
MAR 3 2003

In The
Supreme Court of the United States

MICHAEL FITZGERALD, Treasurer, State of Iowa,

Petitioner,

v.

RACING ASSOCIATION OF CENTRAL IOWA, IOWA GREYHOUND ASSOCIATION, DUBUQUE RACING ASSOCIATION, LTD., and IOWA WEST RACING ASSOCIATION,

Respondents.

On Writ Of Certiorari To The Supreme Court Of Iowa

JOINT APPENDIX

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Certiorari Granted January 17, 2003

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IN THE IOWA DISTRICT COURT FOR POLK COUNTY

RACING ASSOCIATION OF CENTRAL IOWA, Plaintiff, v. MICHAEL FITZGERALD, TREASURER OF STATE OF IOWA, and GERALD BAIR, DIRECTOR OF IOWA DEPARTMENT OF REVENUE AND FINANCE, Defendants.	EQUITY NO. 36601 **APPLICATION TO INTERVENE BY IOWA GREYHOUND ASSOCIATION** (Filed Feb. 9, 1999)

The Iowa Greyhound Association respectfully applies to intervene in the above-captioned matter for the reasons following:

1. The Iowa Greyhound Association (IGA) is a non-profit Iowa corporation with its home office in Underwood, Pottawattamie County, Iowa.

2. Defendant Gerald D. Bair is Director of the Iowa Department of Revenue and Finance, an administrative agency of the State of Iowa established to lay and collect taxes.

3. Defendant Michael Fitzgerald is Treasurer of the State of Iowa. The Treasurer has the duty to uphold the fiscal laws of the State and receives the wagering tax imposed by Iowa Code Section 99F.11

4. Pursuant to Iowa Code § 99F.6(4)(b), Plaintiff negotiates annually with the greyhound racetrack enclosures in the state to determine the percentage of gambling game proceeds ("win") which shall be dedicated to supplement the purses of live race dogs.

5. The supplements are negotiated as a percentage of win after tax.

6. Any increase in taxes at the state's greyhound racetrack enclosures decreases the tracks' win after tax, and devalues the supplement percentage.

7. Any increase in taxes at the state's greyhound racetrack enclosures decreases the profitability of the tracks generally and accordingly reduces purse amounts.

8. The Fourteenth Amendment to the Unites [sic] States Constitution provides that persons may not be deprived of "life, liberty, or property without due process of law."

9. Plaintiff's interest in the amount of purse income its members receive represents a constitutionally protectable property interest.

10. Governmental infringement of this property right requires that the government action be rationally related to a legitimate government interest.

11. The differential tax treatment imposed in Iowa Code § 99F.11 on racetrack enclosures versus all other gambling game venues authorized under that chapter is not rationally related to a legitimate government interest.

12. This tax based on graduated gross receipts, imposed in Iowa Code § 99F.11, is not rationally related to a legitimate government interest.

13. The purses of Iowa Greyhound Association members are based largely on win after tax at greyhound racetrack enclosures.

14. Win after tax at greyhound racetrack enclosures is reduced by the provisions of Iowa Code § 99F.11.

15. Iowa Code § 99F.11 represents an arbitrary deprivation of the IGA members' property interests on its face and as applied.

16. The Fourteenth Amendment to the Unites [sic] States Constitution states, "No State shall . . . deny to any person within its jurisdiction the equal protection of the laws."

17. Iowa Code § 99F.11 creates classifications based on the amount of adjusted gross receipts realized at venues operating gambling games.

18. The statute creates classifications based on status as a racetrack enclosure as opposed to all other venues of gambling games.

19. Gambling licensees who may be identical in all relevant respects, including overall profitability, may nonetheless be taxed at different rates under the statute.

20. The classifications created by the statute are not rationally related to any legitimate government purpose.

21. Article III, § 30 of the Constitution of the State of Iowa provides that all laws for the assessment and collection of taxes for state, county, or road purposes shall be general and of uniform operation throughout the state.

22. Iowa Code § 99F.11 singles out only the three state racetrack enclosures to pay successive two percent per year tax increases.

23. This legislation directed specifically at racetrack enclosures violates the prohibition of special legislation set out in Article III, § 30 of the Constitution of the State of Iowa.

24. Article I, § 6 of the Constitution of the State of Iowa states: "All laws of a general nature shall have a uniform operation; the general assembly shall not grant to any citizen, or class of citizens, privileges or immunities, which upon the same terms shall not equally belong to all citizens."

25. Iowa Code § 99F.11 imposes differential tax treatment on racetrack enclosures versus all other gambling game venues authorized under that chapter.

26. The statute imposes differential tax treatment based on adjusted gross receipts.

27. The general statute does not operate uniformly, but rather imposes severe tax burdens on only certain members of the same class of citizens.

28. Iowa Code § 99F.11 violates Article I, § 6 of the Constitution of the State of Iowa.

29. The IGA seeks a judgment which will find and declare Iowa Code § 99F.11 violative of the United States and Iowa Constitutions on its face and as applied, appropriately enjoin its enforcement, award lost revenues, and award the costs of this action to the IGA, along with reasonable attorney fees.

30. The IGA's claim and the claim of Plaintiff RACI have numerous questions of law and fact in common.

31. The interests of the IGA and RACI are closely aligned in this matter.

32. Intervention will not unduly delay or prejudice the adjudication of the rights of the original parties.

ACCORDINGLY, the Iowa Greyhound Association respectfully requests that the Court grant its Application to Intervene.

RESPECTFULLY SUBMITTED BY: THE CRAWFORD LAW FIRM

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IN THE IOWA DISTRICT COURT
FOR POLK COUNTY

RACING ASSOCIATION OF CENTRAL IOWA, IOWA GREYHOUND ASSOCIATION, and DUBUQUE RACING ASSOCIATION, LTD.,	)	EQUITY NO. 36601
Plaintiffs,	)	
v.	)	
MICHAEL FITZGERALD, TREASURER, STATE OF IOWA, and GERALD BAIR, DIRECTOR OF IOWA DEPARTMENT OF REVENUE AND FINANCE,	)	
Defendants.	)	

PETITION OF INTERVENER/PLAINTIFF, DUBUQUE RACING ASSOCIATION, LTD.

(Filed Jul. 23, 1999)

COMES NOW Plaintiff, Dubuque Racing Association, Ltd., by and through its attorneys, O'Connor & Thomas, P.C., and for cause of action against Defendants, states:

1. Dubuque Racing Association, Ltd. ("DRA"), is an Iowa not-for-profit corporation formed pursuant to Chapters 99D and 99F of the Iowa Code.

2. DRA is a tax-exempt organization pursuant to section 501(c)(4) of the Internal Revenue Code.

3. DRA's principal place of business is Dubuque Greyhound Park & Casino in Dubuque, Iowa.

4. Defendant, Michael Fitzgerald, is the Treasurer of the State of Iowa.

5. Defendant, Gerald Bair, is Director of the Iowa Department of Revenue and Finance, an administrative agency of the State of Iowa established to lay and collect taxes.

6. The Treasurer of the State of Iowa has the duty to uphold and enforce the fiscal laws of the State of Iowa and, as relevant to this proceeding, receives the wagering taxes imposed by Iowa Code § 99F.11.

7. In this action, DRA seeks relief under §§ 1983 and 1988 of Title 42 of the United States Code, the Fourteenth Amendment to the United States Constitution, and Article I § 6 and Article III § 30 of the Iowa Constitution.

8. DRA is licensed by the Iowa Racing and Gaming Commission to operate and does operate a racetrack enclosure casino, known as Dubuque Greyhound Park & Casino, a parimutuel dog racetrack enclosure, pursuant to Chapter 99F.4A of the Iowa Code. Net proceeds of the operation are distributed to tax-exempt charitable organizations and to local government.

9. Pursuant to Iowa Code § 99F.11, adjusted gross receipts from DRA's casino operations are subject to the wagering taxes imposed by Iowa Code Chapter 99F.

10. The rate of the wagering tax imposed on the adjusted gross revenues from casino operations at a racetrack enclosure under § 99F.11 are significantly higher than the wagering tax imposed on the same revenues from riverboat casino operations, and the differential in tax rates is scheduled to increase. Gaming taxes imposed on DRA and other casinos operated at racetrack

enclosures in calendar year 1997 were 22% of adjusted gross revenues, compared to 20% of adjusted gross revenues from casino operations on riverboats. Gaming taxes imposed on DRA and other casinos operated at racetrack enclosures in calendar year 1998 were 24% of adjusted gross revenues, compared to 20% of adjusted gross revenues from casino operations on riverboats. Gaming taxes imposed on DRA and other casinos operated at racetrack enclosures in calendar year 1999 are 26% of adjusted gross revenues, compared to 20% of adjusted gross revenues from casino operations on riverboats. The tax rate on adjusted gross revenues from casino operations at racetrack enclosures is scheduled to increase two percent (2%) each and every year following 1999 until the tax rate reaches 36% (in the year 2004); no change is scheduled for the 20% tax rate on adjusted gross revenues from riverboat casinos.

11. DRA and other operators of casinos at racetrack enclosures currently pay a tax rate on adjusted gross revenues from casino operations that is 20% higher than the tax rates paid by riverboat casinos on adjusted gross revenues from gambling operations. When the gaming tax differential is fully implemented in the year 2004, DRA and other casino operations at racetrack enclosures will pay a tax rate on adjusted gross revenues from casino operations that is 80% higher than the tax rates paid by riverboat casinos on adjusted gross revenues from gambling operations.

12. DRA has paid wagering taxes pursuant to Iowa Code § 99F.11 that are in excess of those which would have been paid if DRA were a riverboat casino operation commencing January 1, 1997, continuing to the present, and with the differential in rates increasing each year.

The amounts of additional gaming taxes which DRA will be required to pay from 2000 to 2004, and thereafter, compared to what it would pay if it were taxed at the 20% rate applicable to riverboat casino grambling operations, will continue to increase.

13. No rational basis exists for taxing gambling games at racetrack enclosure casinos at higher rates than for gambling games on a riverboat casino. The differential gaming taxes are arbitrary, unreasonable, and capricious.

14. Iowa Code § 99F.11, to the extent it imposes higher taxes on the gambling operations of a racetrack enclosure casino than upon a riverboat casino, violates the due process and equal protection rights of DRA and other racetrack enclosure casinos, in violation of the Fourteenth Amendment to the United States Constitution.

15. Iowa Code § 99F.11, to the extent it imposes higher taxes on the gambling operations of a racetrack enclosure casino than upon a riverboat casino, violates the requirements in Article I § 6 and Article III § 30 of the Iowa Constitution that Iowa laws have a general and uniform operation.

16. Iowa Code § 99F.11 must be declared unenforceable, under both the United States and Iowa Constitutions, and enforcement or collection of the excess gaming taxes imposed upon DRA and other racetrack enclosure casinos must be enjoined.

WHEREFORE, Plaintiff, Dubuque Racing Association, Ltd., respectfully requests that the Court enjoin Defendants from collecting a wagering tax on adjusted gross receipts on gambling games of DRA at any rate higher than that applicable to riverboat casino operations,

that Defendants be required to remit to DRA any such taxes paid since January 1, 1997 to the extend [sic] they were assessed as a rate higher than 20% of adjusted gross revenues, that DRA be awarded its costs and attorneys fees to the extent allowed by law for prosecuting this action, and that DRA be granted such other or further relief to which it may be entitled.

DUBUQUE RACING
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IN THE IOWA DISTRICT COURT FOR POLK COUNTY

RACING ASSOCIATION OF CENTRAL IOWA, IOWA GREYHOUND ASSOCIATION, DUBUQUE RACING ASSOCIATION, LTD., Plaintiff, v. MICHAEL FITZGERALD, TREASURER, STATE OF IOWA, Defendant.	EQUITY NO. 36601 **APPLICATION TO INTERVENE BY IOWA WEST RACING ASSOCIATION** (Filed Sep. 7, 1999)

The Intervenor/plaintiff, Iowa West Racing Association ("IWRA"), comes before this Court and respectfully applies to intervene in the above-captioned matter, pursuant to Iowa Rule of Civil Procedure 75, for the following reasons:

1. IWRA is an Iowa not-for-profit corporation formed pursuant to Ch. 99D and 99F of the Iowa Code.

2. IWRA is a taxable "C" corporation pursuant to the Internal Revenue Code.

3. IWRA's principal place of business is Bluffs Run Casino in Council Bluffs, Iowa.

4. IWRA is licensed by the Iowa Racing and Gaming Commission to operate and does operate a racetrack enclosure casino, known as Bluffs Run, a parti-mutuel racetrack enclosure, pursuant to Ch. 99F.4A of the Iowa Code. Net proceeds of the operation are distributed to

tax exempt charitable organizations and to local government.

5. Pursuant to Iowa Code § 99F.11, adjusted gross receipts from IWRA's casino operations are subject to the wagering taxes imposed by Iowa Code Ch. 99F.

6. The rate of the wagering tax imposed on the adjusted gross revenues from casino operations at a racetrack enclosure under § 99F.11 are significantly higher than the wagering tax imposed on non-racetrack enclosures, and this differential in tax rates is scheduled to increase. Gaming taxes imposed on IWRA and other casinos operated at racetrack enclosures in the calendar year 1997 were twenty-two percent (22%) of adjusted gross revenues, compared to twenty percent (20%) of adjusted gross revenues for non-racetrack enclosures. Gaming taxes imposed on IWRA and other casinos operated at racetrack enclosures in the calendar year 1998 were twenty-four percent (24%) of adjusted gross revenues, compared to twenty percent (20%) of adjusted gross revenues for non-racetrack enclosures. Gaming taxes imposed on IWRA and other casinos operated at racetrack enclosures in the calendar year 1999 are twenty-six percent (26%) of adjusted gross revenues, compared to twenty percent (20%) of adjusted gross revenues for non-racetrack enclosures. The tax rate on adjusted gross revenues from casino operations at racetrack enclosures is scheduled to increase two percent (2%) each and every year following 1999 until the tax rate reaches thirty-six percent (36%) (in the year 2004); no change is scheduled for the twenty percent (20%) tax rate on adjusted gross revenues for non-racetrack enclosures.

7. IWRA and other operated casinos at racetrack enclosures current [sic] pay a tax rate on adjusted gross revenues from casino operations that is twenty percent (20%) higher than the tax rates paid by non-racetrack casinos on adjusted gross revenues from gambling operations. When the gaming tax differential is fully implemented in the year 2004, IWRA and other casino operations at racetrack enclosures will pay a tax rate on adjusted gross revenues from casino operations that is eighty percent (80%) higher than the tax rates paid by non-racetrack casinos on adjusted gross revenues from gambling operations.

8. IWRA has paid wagering taxes pursuant to Iowa Code § 99F.11 that are in excess of those which would have been paid if IWRA were a non-racetrack casino operation commencing January 1, 1997, continuing to the present, and with the differential in rates increasing each year. The amounts of additional gaming taxes which IRWA will be required to pay from 200 to 2004, and thereafter, compared to what it would pay if it were taxed at the twenty percent (20%) rate applicable to non-racetrack casino gambling operations will continue to increase.

9. IWRA has legally cognizable interest in the outcome of the present litigation as it effects IWRA, the plaintiff and the other intervenors.

10. IWRA seeks to intervene to protect its legally cognizable interest in the issues before the Court in this matter.

11. IWRA seeks to intervene on the side of the plaintiff and the other intervenors.

12. IWRA's petition for intervention is attached and sets forth IWRA's position and the relief it seeks.

WHEREFORE, Iowa West Racing Association requests that this Court grant its application to intervene in this matter on the side of the plaintiff and other intervenors.

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IN THE IOWA DISTRICT COURT
FOR POLK COUNTY

RACING ASSOCIATION OF CENTRAL IOWA, IOWA GREYHOUND ASSOCIATION, DUBUQUE RACING ASSOCIATION, LTD., Plaintiff, v. MICHAEL FITZGERALD, TREASURER, STATE OF IOWA, Defendant.	EQUITY NO. 36601 **PETITION OF INTERVENOR/ PLAINTIFF IOWA WEST RACING ASSOCIATION**

The Intervenor/plaintiff, Iowa West Racing Association ("IWRA"), comes before this Court and requests that it be allowed to intervene in this matter pursuant to Iowa Rule of Civil Procedure 75 for the following reasons:

1. IWRA is an Iowa not-for-profit corporation formed pursuant to Ch. 99D and 99F of the Iowa Code.

2. IWRA is a taxable "C" corporation pursuant to the Internal Revenue Code.

3. IWRA's principal place of business is Bluffs Run Casino in Council Bluffs, Iowa.

4. Defendant, Michael Fitzgerald, is the Treasurer of the State of Iowa.

5. The Treasurer of the State of Iowa has the duty to uphold and enforce the physical laws of the State of

Iowa and, as relevant to this proceeding, receives the wagering taxes imposed by Iowa Code § 99F.11.

6. In this action, IWRA seeks relief under §§ 1983 and 1988 of Title 42 of the United States Code, the 14th Amendment to the United States Constitution, and Art. 1, § 6 and Art. 3, § 30 of the Iowa Constitution.

7. IWRA is licensed by the Iowa Racing and Gaming Commission to operate and does operate a racetrack enclosure casino, known as Bluffs Run, a pari-mutuel racetrack enclosure, pursuant to Ch. 99F.4A of the Iowa Code. Net proceeds of the operation are distributed to tax exempt charitable organizations and to local government.

8. Pursuant to Iowa Code § 99F.11, adjusted gross receipts from IWRA's casino operations are subject to the wagering taxes imposed by Iowa Code Ch. 99F.

9. The rate of the wagering tax imposed on the adjusted gross revenues from casino operations at a racetrack enclosure under § 99F.11 are significantly higher than the wagering tax imposed on non-racetrack enclosures, and this differential in tax rates is scheduled to increase. Gaming taxes imposed on IWRA and other casinos operated at racetrack enclosures in the calendar year 1997 were twenty-two percent (22%) of adjusted gross revenues, compared to twenty percent (20%) of adjusted gross revenues for non-racetrack enclosures. Gaming taxes imposed on IWRA and other casinos operated at racetrack enclosures in the calendar year 1998 were twenty-four percent (24%) of adjusted gross revenues, compared to twenty percent (20%) of adjusted gross revenues for non-racetrack enclosures. Gaming taxes imposed on IWRA and other casinos operated at

racetrack enclosures in the calendar year 1999 are twenty-six percent (26%) of adjusted gross revenues, compared to twenty percent (20%) of adjusted gross revenues for non-racetrack enclosures. The tax rate on adjusted gross revenues from casino operations at racetrack enclosures is scheduled to increase two percent (2%) each and every year following 1999 until the tax rate reaches thirty-six percent (36%) (in the year 2004); no change is scheduled for the twenty percent (20%) tax rate on adjusted gross revenues for non-racetrack enclosures.

10. IWRA and other operated casinos at racetrack enclosures current [sic] pay a tax rate on adjusted gross revenues from casino operations that is twenty percent (20%) higher than the tax rates paid by non-racetrack casinos on adjusted gross revenues from gambling operations. When the gaming tax differential is fully implemented in the year 2004, IWRA and other casino operations at racetrack enclosures will pay a tax rate on adjusted gross revenues from casino operations that is eighty percent (80%) higher than the tax rates paid by non-racetrack casinos on adjusted gross revenues from gambling operations.

11. IWRA has paid wagering taxes pursuant to Iowa Code § 99F.11 that are in excess of those which would have been paid if IWRA were a non-racetrack casino operation commencing January 1, 1997, continuing to the present, and with the differential in rates increasing each year. The amounts of additional gaming taxes which IRWA will be required to pay from 2000 to 2004, and thereafter, compared to what it would pay if it were taxed at the twenty percent (20%) rate applicable

to non-racetrack casino gambling operations will continue to increase.

12. No rational basis exists for taxing gambling games at racetrack enclosure casinos at higher rates than for gambling games at a non-racetrack casino. The differential gaming taxes are arbitrary, unreasonable, and capricious.

13. Iowa Code § 99F.11, to the extent it imposes higher taxes on the gambling operations of a racetrack enclosure casino than upon a non-racetrack casino, violates the due process and equal protection rights of IWRA and other racetrack enclosure casinos, in violation of the 14th Amendment of the United States Constitution.

14. Iowa Code § 99F.11, to the extent it imposed higher taxes on the gambling operations of a racetrack enclosure casino than upon a non-racetrack casino, violates the requirements of Art. 1, § 6 and Art. 3, § 30 of the Iowa Constitution that Iowa laws have a general and uniform operation.

15. Iowa Code § 99F.11 must be declared unenforceable, under both the United States and Iowa Constitutions, and enforcement or collection of the excess gaming taxes imposed by IWRA and other racetrack enclosure casinos must be enjoined.

WHEREFORE, Intervenor/Plaintiff, Iowa West Racing Association, respectfully requests that the Court enjoin Defendants from collecting a wagering tax on adjusted gross receipts on gambling games of IWRA at any rate higher than that applicable to non-racetrack casino operations, that Defendants be required to remit

to IWRA any such taxes paid since January 1, 1997 to the extend they were assessed at a rate higher than twenty percent (20%) of the adjusted gross revenues, that IWRA be awarded it's [sic] costs and attorney fees to the extend [sic] allowed by law for prosecuting this action, and that IWRA be granted such other and further relief to which it may be entitled.

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IN THE IOWA DISTRICT COURT
FOR POLK COUNTY

RACING ASSOCIATION OF CENTRAL IOWA, Plaintiff, v. MICHAEL FITZGERALD, TREASURER, STATE OF IOWA Defendant	Equity No. 36601 **AFFIDAVIT OF JACK KETTERER**

I, Jack P. Ketterer, being duly sworn on oath, hereby state as follows:

1. I am the present administrator of the Iowa Racing and Gaming Commission (the Commission). The administrator is responsible for the day-to-day operations of the Commission. The administrator is also required by statute to maintain the books, records and documents of the Commission. I have been the administrator since May of 1993. I also previously served as the administrator of the Iowa Racing Commission from 1983 to 1988.

2. Many records held by the Commission are considered official public records. These documents include: a) Chronology of the Commission, b) Iowa Racetrack Live Racing Statistics, c) Minutes, January 19-20, 1994, Meeting of the Commission, d) Supplement to the 1992 Annual Report, e) Announcement of Appointment of Gaming Study Committee, f) Gaming Study Committee Report, and g) 1999 Fiscal Year Revenue Report.

3. The Commission is the state agency responsible for the supervision and regulation of licensed pari-mutuel racetracks and excursion gambling boats. As the administrator, I supervise the Commission's employees involved in the regulation of racetracks and excursion gambling boats.

4. There are significant differences between the licensing of a racetrack and an excursion gambling boat. Racetrack licenses can only be held by nonprofit companies. No for-profit company has ever held a pari-mutuel wagering license in Iowa.

5. There are three current racetrack license holders: a) Dubuque Racing Association in Dubuque, b) Iowa West Racing Association in Council Bluffs, and c) Racing Association of Central Iowa in Altoona (RACI). The National Cattle Congress also formerly operated a racetrack in Waterloo. Each of these licensees are nonprofit companies.

6. Pari-mutuel wagering is a system of wagering in which the gamblers make bets on horses or dogs with the chance of winning the pool of money bet on the race. The "mutuel handle" is the total amount bet on the race. The racetrack is allowed to "take out" a certain percentage of the amount bet, as prescribed by the statute. The "take out" is the amount retained by the racetrack as revenue.

7. The racetracks offer "purses" to owners of horses and dogs who compete in races. The "purse" is the total prize money paid to the top finishers of the race. The amount of the purse varies based on the type of race. The Commission is required by statute to regulate the purse structure and establish minimum purses.

8. The Iowa Greyhound Association (IGA) is an organization of Iowa greyhound owners that race at

Dubuque and Council Bluffs. The IGA is involved in the negotiation of purses paid at both tracks.

9. The racetracks also offer pari-mutuel wagering on simulcast races from other tracks. The original legislation in 1983 did not permit simulcasting, but the legislature amended the statute beginning in 1989 to allow simulcast wagering. Simulcasting was beneficial to the racetracks because the cost of a simulcast race is considerably less than expensive than holding a live race.

10. The racetracks pay a wagering tax on live and simulcast horse and dog races. Greyhound racetracks also receive tax "set asides" on some or all of their tax if they use the amount of the "set aside" for debt retirement, operating expenses, capital improvement, or charitable donations. Horse tracks only pay pari-mutuel tax on mutuel handle greater than $90 million. RACI has never paid any pari-mutuel wagering tax.

11. Each racetrack is required to hold a specified number of live races and racing days to maintain its authority to conduct simulcast races. However, in 1992, the legislature granted a one year exception to that law. RACI took advantage of that exception, and continued to offer pari-mutuel wagering on simulcast races even though it did not offer any live races during that year.

12. The 1994 legislature granted racetracks the authority to operate "gambling games." However, the legislature amended the definition of "gambling game" to provide that racetracks could not offer "table games of chance or video machines." Under this definition, racetracks cannot conduct many traditional table casino games, such as blackjack, roulette, poker, and craps. They also cannot offer video versions of table games such as

video poker. Racetracks can now offer gambling on traditional reel-type slot machines and video facsimiles.

13. Excursion gambling boats are licensed pursuant to a two license system. One license is issued to a nonprofit company to conduct gambling games. A second license is issued to a for-profit company to operate the boat. The nonprofit licensee may enter into a management contract with the for-profit licensee to manage its gambling game operation. In practice, all nonprofit excursion gambling boat licensees have entered into management contracts with the for-profit companies. As a result, each excursion gambling boat in Iowa is owned and managed by a for-profit company.

14. Excursion gambling boats can offer all gambling games approved by the Commission, with the exception of gambling on sporting events. The Commission has approved many games, including blackjack, craps, roulette, poker, slot machines, electronic gaming devices, and others. Excursion gambling boats cannot offer wagering on horse or dog races.

/s/ Jack P. Ketterer
Jack P. Ketterer

Subscribed and sworn to before me on this 20th day of March, 2000.

[SEAL]	JULIE D. HERRICK MY COMMISSION EXPIRES 6-29-2001	/s/ Julie D. Herrick Notary Public in and for the State of Iowa

CHRONOLOGY OF THE IOWA RACING AND GAMING COMMISSION

In May of 1983, the Iowa Legislature passed the Pari-Mutuel Wagering Act allowing qualified sponsoring organizations to apply for a license to conduct pari-mutuel wagering on horse and dog racing. The Governor signed the bill and subsequently appointed the first Racing Commission on July 1, 1983. The Act provided for a Commission consisting of five members each serving a staggered three-year term. The Commission appoints an Administrator for a four-year term, responsible for the daily operations of the Commission.

July 18, 1984, the Commission:

- Granted a conditional three-year license to the Racing Association of Central Iowa for thoroughbred racing in Bondurant.
- Granted a conditional license to Nakoni Park, Inc. for horse racing in Cedar Rapids.
- Granted a conditional three-year winter season greyhound racing license to the National Cattle Congress, who began operations on October 15, 1986 as Waterloo Greyhound Park in Waterloo.
- Granted a three-year seasonal greyhound racing license to the Dubuque Racing Association, Ltd, who began operations on June 1, 1985 as Dubuque Greyhound Park in Dubuque.
- Denied a license to Council Bluffs Greyhound Association for greyhound racing in Council Bluffs.

- Denied a license to Southwest Iowa Racing Association for greyhound racing in Shenandoah.
- Denied a license to West Liberty for the Muscatine County Fair for greyhound racing in West Liberty.

August 28, 1984, a three-year conditional license was granted to Iowa West Racing Association for greyhound racing in Council Bluffs. This facility opened on February 27, 1986 as Bluffs Run.

At the expiration of each initial three-year license, live racing dates were approved annually in June of each year.

December 20, 1984, Racing Association of Central Iowa's petition to change the location of their proposed thoroughbred facility from Bondurant to Altoona was approved. This facility opened on March 1, 1989 as Prairie Meadows.

March 15, 1985, a three-year license was granted to the Iowa Horse Racing Association, Ltd., for pari-mutuel harness racing at various county fair locations throughout the state.

(1985 locations – Cedar Rapids, Des Moines, Denison, Nashua, Humboldt, What Cheer and Monticello; 1986 locations – Des Moines, Cedar Rapids, Humboldt, Keokuk, Denison, Spencer, and Monticello; 1987 locations – Des Moines, Humboldt and What Cheer and 1988 locations – Des Moines, Keokuk and What Cheer)

July 11, 1985, a conditional three-year license was granted to the Cedar Rapids Horse Racing, Inc. in Cedar Rapids. On January 14, 1986, the license was voluntarily surrendered.

July 14, 1987, a license was denied to the Heartland Association for a horse track in Hiawatha and a renewal license was granted to Racing Association of Central Iowa.

July 1, 1989, legislation was enacted, allowing pari-mutuel wagering on simulcast races received by a licensed pari-mutuel facility conducting a minimum number of live performances. Simulcasting is the telecasting of live audio and visual signals of parimutuel races received from an authorized racing facility for the purpose of pari-mutuel wagering.

July 1, 1989, legislation was enacted allowing the Commission to license qualified sponsoring organizations to conduct gambling games on excursion gambling boats in a county where the electorate approves a proposition by referendum.

Excursion boat gambling referendums held in 1989:

- August 15 Clayton County (failed)
- August 15 Dubuque County (approved)
- August 22 Lee and Des Moines Counties (approved)
- August 29 Scott, Muscatine and Clinton Counties (approved)
- September 5 Jackson County (approved)
- September 26 Woodbury County (approved)

March 8, 1990, the Commission granted excursion boat gambling licenses to the following entities (Qualified Sponsoring Organization/Excursion Boat Operator):

- Dubuque Racing Association/Dubuque Casino Belle Inc., who began operation on April 1, 1991 as the Dubuque Casino Belle in Dubuque.
- Southeast Iowa Regional Authority/Steamboat Southeast, Inc., who began operation on May 10, 1991 as Emerald Lady, serving Burlington, Ft. Madison and Keokuk.
- Riverbend Regional Authority/Steamboat Development Corporation, who began operation on April 1, 1991 as the Diamond Lady in Bettendorf.
- Riverboat Development Authority/The Connelly Group. L.P., who began operation on April 1, 1991 as the President in Davenport.
- Missouri River Historical Development, Inc./ Missouri Riverboat Associates, L.P. in Sioux City. After failing to secure financing, their license was revoked by the Commission October 1, 1990.

November 27, 1990, an excursion boat gambling license was granted to the Missouri River Historical Development, Inc./Steamboat Sioux City Inc., who voluntarily surrendered their license on March 26, 1992.

January 17, 1991, an excursion boat gambling license was granted to the Clinton County Gaming Association/ Mississippi Belle II, Inc., who began operation on June 12, 1991 as the Mississippi Belle II in Clinton.

November 27, 1991, Prairie Meadows filed for Chapter 11 Bankruptcy. The Final Order was issued on May 17, 1993 bringing them out of Bankruptcy.

May of 1992, legislation was enacted removing the live performance requirement for simulcast wagering at parimutuel facilities. In 1994, that legislation was amended requiring at least sixty performances of nine live races each day of the season in order for simulcasting to occur.

Excursion boat gambling referendums were approved on August 20, 1991 in Allamakee County and on October 15, 1991 in Clayton County.

During 1992, the Director of the Department of Inspections and Appeals negotiated three Native American Indian tribal gaming compacts for the Governor. The Commission has no regulatory or oversight responsibility for the compacts.

- The Winnebago Tribe of Nebraska began operation of WinnaVegas Casino near Sloan on April 30, 1992.
- The Omaha Tribe of Nebraska began operation of CasinOmaha near Onawa on June 22, 1992.
- The Sac and Fox Tribe of the Mississippi in Iowa began operation of Meskwaki Bingo and Casino near Tama on December 31, 1992.

In July of 1992, the licensees serving Bettendorf and Burlington/Ft Madison/Keokuk ceased operations leaving three operating excursion boat licensees in Iowa.

July 2, 1992, a three year license was granted to the Missouri River Historical Development, Inc./Missouri Riverboat Corp., who began operation as the Sioux City Sue in Sioux City on January 29, 1993.

An excursion boat gambling referendum was approved on November 3, 1992 in Polk County.

In March of 1993, the licensee serving Dubuque ceased operation leaving three operating excursion boat licensees in: Clinton, Davenport and Sioux City. However, that same month a license was granted to the Dubuque Racing Association/Greater Dubuque Riverboat Entertainment Company, L.C., who began operation as the Diamond Jo Casino in Dubuque on May 18, 1994.

September 16, 1993, an excursion boat license was denied to Summit Riverboat Casinos Sioux City, Inc./Missouri River Historical Development, Inc.

December 16, 1993, Waterloo Greyhound Park filed for Chapter 11 Bankruptcy. The Final Order issued on June 26, 1996 brought them out of Bankruptcy.

January 20, 1994, an excursion gambling boat license was granted to the Southeast Iowa Regional Riverboat Corporation/Catfish Bend Casinos L.C., who began operation as Catfish Bend Casino in Burlington/Ft. Madison on November 16, 1994.

Legislation was enacted in March of 1994:

- Removing the $200/day loss limit and the maximum $5/hand wager.
- Requiring an additional local referendum in counties already authorized for excursion boat gambling to allow for unlimited wagers and removal of the loss limits.
- Raising the age restriction for wagering from 18 to 21 (persons 18 and older may be employed in a gambling area).

- Allowing for certain gambling games at racetrack enclosures existing on January 1, 1994 subject to a local referendum.
- Changing the minimum passenger capacity of an excursion gambling boat from 500 to 250 persons.
- Eliminating the requirement that no more than 30% of the square footage of the vessel be used for gambling.
- Requiring that if a proposition to operate gambling games on an excursion gambling boat or at a racetrack enclosure is approved by a majority of the county electorate voting on the proposition, the board of supervisors shall submit the same proposition at the general election held in 2002 and, unless the operation of gambling games is not terminated earlier, at the general election held at each subsequent eight-year interval.
- Allowing for the use of nickels and quarters for wagering.
- Eliminating the prohibition against gambling while dockside.
- Changing the wagering tax to fund the Gambler's Treatment Program from five percent to three-tenths of one percent of the adjusted gross revenue.
- Removing boarding restrictions and allowed the Commission to set the minimum number of excursions and excursion times.
- Allowing licensees to conduct gambling on a 24 hour a day basis.

Gambling game referendums were held in the following counties in 1994:

• May 10	Clinton and Clayton Counties (approved)
• May 17	Lee, Des Moines, Woodbury, and Scott (approved) Dubuque and Pottawattamie (approved both racetrack and boat)
• May 17	Black Hawk (racetrack enclosure – failed)
• July 12	Jackson (approved)
• September 27	Black Hawk (racetrack enclosure – failed)
• November 8	Polk (excursion boat failed and racetrack enclosure approved)

Excursion gambling boat licensees began unlimited gambling in June of 1994.

May 11, 1994, a lease agreement and a stock sale agreement between Sioux City Riverboat Corporation, Inc. and Iowa Gaming Company were approved.

November 4, 1994, excursion gambling boat licenses were granted to the Marquette Gaming Corporation/Gamblers Supply Management Company, who began operation as the Miss Marquette on December 26, 1994 in Marquette and to the Missouri River Historical Development Inc./ Belle of Sioux City, L.P., began operation as the Belle of Sioux City on December 1, 1994 in Sioux City. The Sioux City Riverboat Corporation ceased operation at that time.

In 1996, Marquette Gaming Corporation changed its name to Upper Mississippi Gaming Corporation.

January 18, 1995, an excursion gambling boat license was granted to Riverbend Regional Authority/Lady Luck Bettendorf, L.C., who began operation as Lady Luck on April 21, 1995 in Bettendorf. It had been approximately three years since Bettendorf was last served by a riverboat.

January 20, 1995, excursion gambling boat licenses were granted to Iowa West Racing Association/Harvey's Iowa Management Company, Inc., who began operation as Harveys Casino Hotel on January 1, 1996 and Iowa West Racing Association/Ameristar Council Bluffs Inc., who began operation as Ameristar Casino on January 19, 1996, both located in Council Bluffs. Four licenses were denied in the Council Bluffs area:

President Riverboat Casino-Carter Lake, Inc./Pottawattamie County Gaming Association; Boomtown Iowa, L.C./Iowa West Racing Association; Iowa Par-A-Dice, L.P./Iowa West Racing Association; and Abbott L.C.-MOM Inc./Pottawattamie County Gaming Association.

In July of 1995, legislation was enacted requiring the Commission to cooperate with the gamblers assistance program and to incorporate information regarding the program and its toll-free telephone number in printed materials distributed by the Commission. It also provided that, as a condition of licensing, the Commission could require licensees to have the information available in a conspicuous place.

An excursion boat gambling referendum was approved on February 28, 1995 in Clarke County.

February 28, 1995, a gambling games racetrack enclosure license was granted to Iowa West Racing Association, who began operation as Bluffs Run Casino on March 15, 1995 in its Council Bluffs facility.

Also on February 28, 1995, a gambling games racetrack enclosure license was granted to Racing Association of Central Iowa, who began operation as Prairie Meadows Racetrack and Casino on April 1, 1995 in its Altoona facility.

July 20, 1995, a gambling games racetrack enclosure license was granted to Dubuque Racing Association, who began operation as Dubuque Greyhound Park and Casino on November 22, 1995 in its Dubuque facility.

July 20, 1995, an excursion gambling boat license was denied for Clarke County Development Corporation/ Argosy of Iowa, Inc. in Osceola.

November 16, 1995, the racing dates of February 25, 1995 – April 21, 1996 were denied to the National Cattle Congress. On January 30, 1996, the racing dates of February 14 – April 21, 1996 were denied and on March 7, 1996, a pari-mutuel wagering license was denied for the National Cattle Congress. Operations ceased at Waterloo Greyhound Park on July 13, 1996 in Waterloo.

April 18, 1996, an excursion gambling boat license was denied for ILLIAMO/Midwest in Keokuk.

June 20, 1996, SODAK Gaming Inc. Was approved to purchase the Gamblers Supply Management Company, the licensed excursion gambling boat operator at Marquette.

An excursion boat gambling referendum failed on November 5, 1996 in Dallas County.

April 8, 1997, an excursion gambling boat license was denied for Clarke County Development Corporation/ Argosy of Iowa, Inc. in Osceola.

A second excursion boat gambling referendum was approved on November 18, 1997, in Clarke County.

November 20, 1997, an excursion gambling boat license was granted to Clarke County Development Corporation/ Southern Iowa Gaming Company, who is anticipated to begin operation as Lakeside Casino and at Osceola in the second quarter of 1999.

Currently, there are nine excursion gambling boats, three racetrack enclosures and three Native American Indian Casinos operating in Iowa.

IOWA RACETRACK LIVE RACING STATISTICS

		1985	1986	1987	1988	1989	1990
Prairie Meadows (1985-1988 indicates Harness Circuit Only)	Number of Performances	30	31	26	22	170	139
	Taxable Attendance	49,634	42,796	32,565	34,897	453,287	338,612
	Mutuel Handle	$2,052,406	$2,056,671	$1,986,459	$2,251,285	$37,948,437	$25,936,603
	Breakage	$24,078	$24,522	$19,374	$21,160	$386,976	$203,381
	Unclaimed Winnings	N/A	N/A	$10,119	$9,970	$130,423	$95,051
	State Pari-Mutuel Tax	(1) $102,620	(3) $102,834	(5) $99,323	(7) $112,564	$0	$0
	City/County Pari-Mutuel Tax	(2) $0	(4) $0	(6) $0	(8) $0	$0	$0
Bluffs Run	Number of Performances	N/A	377	412	457	456	447
	Taxable Attendance	N/A	1,128,203	1,131,725	1,107,106	970,150	776,676
	Mutuel Handle	N/A	$122,475,778	$123,255,538	$122,165,062	$105,477,937	$77,831,539
	Breakage	N/A	$455,565	$454,970	$443,282	$379,565	$297,682
	Unclaimed Winnings	N/A	$432,748	$428,968	$463,478	$356,195	$298,817
	State Pari-Mutuel Tax	N/A	$6,123,789	$6,162,777	$6,108,253	$5,273,897	$3,891,577
	City/County Pari-Mutuel Tax	N/A	$1,224,758	$1,232,555	$1,221,651	$1,054,779	$778,315
Dubuque Greyhound Park	Number of Performances	198	236	232	240	238	244
	Taxable Attendance	569,407	645,212	589,317	581,865	541,115	347,560
	Mutuel Handle	$41,690,178	$63,644,286	$65,773,036	$66,892,630	$65,165,531	$41,219,405
	Breakage	$237,970	$237,721	$228,620	$232,638	$205,892	$120,263
	Unclaimed Winnings	$257,508	$240,093	$296,965	$290,015	$301,996	$207,319
	State Pari-Mutuel Tax	$2,084,509	$3,182,214	$3,288,652	$3,344,631	$3,258,277	$1,648,776
	City/County Pari-Mutuel Tax	$416,902	$636,443	$657,730	$668,927	$651,655	$412,194
Waterloo Greyhound Park	Number of Performances	N/A	N/A	213	234	222	224
	Taxable Attendance	N/A	N/A	322,294	291,733	238,814	245,725
	Mutuel Handle	N/A	N/A	$27,433,354	$32,427,585	$28,993,917	$29,607,297
	Breakage	N/A	N/A	$108,641	$106,299	$91,153	$81,864
	Unclaimed Winnings	N/A	N/A	$134,620	$235,944	$136,473	$153,660
	State Pari-Mutuel Tax	N/A	N/A	$1,371,668	$1,621,379	$869,818	$888,219
	City/County Pari-Mutuel Tax	N/A	N/A	$274,334	$324,276	$289,939	$296,073

(1) $82,096 Reverted to licensee for tax credit.
(2) $20,524 Reverted to licensee for tax credit.
(3) $82,267 Reverted to licensee for tax credit.
(4) $20,567 Reverted to licensee for tax credit.
(5) $78,458 Reverted to licensee for tax credit.
(6) $19,865 Reverted to licensee for tax credit.
(7) $2,727 To General Fund.
(8) $22,513 To General Fund.
(9) $89,810 Reverted to licensee by County.
(10) $60,820 Reverted to licensee by County.
(11) $16,239 Reverted to licensee by County.

IOWA RACETRACK LIVE RACING STATISTICS

		1991	1992	1993	1994	1995	1996	1997	1998
Prairie Meadows (1985-1988 indicates Harness Circuit Only)	Number of Performances	105	N/A	60	60	62	62	98	97
	Taxable Attendance	296,713	N/A	282,776	See Simulcast	See Simulcast	See Simulcast	See Simulcast	See Simulcast
	Mutuel Handle	$17,541,241	N/A	$5,362,700	$4,662,076	$4,946,271	$6,217,760	$8,536,154	$8,101,722
	Breakage	$176,817	N/A	$48,013	$43,043	$45,902	$50,417	$73,726	$75,078
	Unclaimed Winnings	$81,032	N/A	$31,463	$18,179	$38,408	$42,334	$61,080	$47,286
	State Pari-Mutuel Tax	$0	N/A	$0	$0	$0	$0	$0	$0
	City/County Pari-Mutuel Tax	$0	N/A	$0	$0	$0	$0	$0	$0
Bluffs Run	Number of Performances	455	462	457	452	356	363	365	365
	Taxable Attendance	675,629	603,272	433,580	401,094	3,696,297	4,060,004	4,151,129	4,160,466
	Mutuel Handle	$66,832,377	$57,863,437	$42,277,746	$34,455,244	$24,208,495	$17,523,647	$14,103,172	$13,430,403
	Breakage	$288,054	$304,914	$197,779	$129,381	$94,348	$75,208	$58,755	$55,608
	Unclaimed Winnings	$248,401	$226,394	$157,523	$129,198	$138,121	$124,608	$96,636	$92,804
	State Pari-Mutuel Tax	$3,341,619	$2,893,172	$1,891,110	$1,378,210	$726,255	$525,709	$423,095	$402,912
	City/County Pari-Mutuel Tax	$668,324	$578,634	$422,777	$344,552	$242,085	$175,236	$141,031	$134,304
Dubuque Greyhound Park	Number of Performances	255	249	212	159	153	160	161	159
	Taxable Attendance	279,555	199,285	107,361	See Simulcast	See Simulcast	See Simulcast	See Simulcast	See Simulcast
	Mutuel Handle	$28,179,552	$19,867,762	$7,398,008	$4,391,919	$3,365,181	$3,401,417	$3,502,625	$3,484,140
	Breakage	$90,616	$186,945	$31,171	$19,950	$15,101	$15,976	$16,330	$17,273
	Unclaimed Winnings	$134,732	$101,117	$76,512	$46,267	$35,045	$40,670	$36,279	$36,344
	State Pari-Mutuel Tax	$845,387	$596,033	$221,940	$131,757	$100,955	$102,043	$105,079	$104,524
	City/County Pari-Mutuel Tax	$281,796	$198,678	$73,980	$43,919	$33,652	$34,014	$35,026	$34,841
Waterloo Greyhound Park	Number of Performances	222	227	253	110	N/A	N/A	N/A	N/A
	Taxable Attendance	217,752	164,437	128,683	41,554	N/A	N/A	N/A	N/A
	Mutuel Handle	$25,548,278	$18,907,332	$12,804,286	$3,418,702	N/A	N/A	N/A	N/A
	Breakage	$66,357	$170,047	$34,467	$10,238	N/A	N/A	N/A	N/A
	Unclaimed Winnings	$105,181	$87,318	$67,964	$25,380	N/A	N/A	N/A	N/A
	State Pari-Mutuel Tax	$766,448	$567,220	$384,129	$102,561	N/A	N/A	N/A	N/A
	City/County Pari-Mutuel Tax	$255,483 (9)	$187,073 (10)	$128,043 (11)	$34,187	N/A	N/A	N/A	N/A

(1) $82,096 Reverted to licensee for tax credit.
(2) $20,524 Reverted to licensee for tax credit.
(3) $82,267 Reverted to licensee for tax credit.
(4) $20,567 Reverted to licensee for tax credit.
(5) $78,458 Reverted to licensee for tax credit.
(6) $19,865 Reverted to licensee for tax credit.
(7) $2,727 To General Fund.
(8) $22,513 To General Fund.
(9) $89,810 Reverted to licensee by County.
(10) $60,820 reverted to licensee by County.
(11) $16,239 Reverted to licensee by County.

IOWA RACETRACK SIMULCAST STATISTICS

		1989*	1990*	1991	1992	1993	1994	1995	1996	1997	1998
Prairie Meadows	Number of Performances	N/A	N/A	372	929	1,086	1,441	1,829	2,875	4,151	4,086
	Taxable Attendance	N/A	N/A	44,768	245,030	SEE LIVE	259,778	2,495,649	3,398,006	3,424,974	3,353,457
	Mutuel Handle (Signals Received)	$384,038	$5,133,942	$18,348,217	$38,405,632	$34,029,649	$32,385,946	$25,805,859	$22,539,333	$22,230,862	$22,405,324
	Mutuel Handle (Signals Sent)	$0	$0	$0	$0	$0	$0	$1,357,412	$11,599,547	$43,106,976	$51,403,156
	Breakage	N/A	N/A	$16,962	$123,321	$135,956	$185,990	$151,975	$128,143	$118,494	$134,440
	Unclaimed Winnings	N/A	N/A	$11,529	$60,054	$58,501	$78,440	$135,206	$129,802	$155,335	$90,401
	State Pari-Mutuel Tax	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	City/County Pari-Mutuel Tax	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Bluffs Run	Number of Performances	N/A	N/A	N/A	N/A	N/A	766	1,394	1,857	3,836	4,597
	Taxable Attendance	N/A	N/A	N/A	N/A	N/A	SEE LIVE	SEE LIVE	SEE LIVE	SEE LIVE	SEE LIVE
	Mutuel Handle (Signals Received)	N/A	N/A	N/A	N/A	N/A	$8,937,202	$13,449,267	$17,566,077	$22,887,116	$18,906,245
	Mutuel Handle (Signals Sent)	$0	$0	$0	$28,805,152	$31,111,770	$27,914,369	$10,838,954	$2,775,158	$9,198,936	$12,938,412
	Breakage	N/A	N/A	N/A	N/A	N/A	$66,546	$99,642	$117,574	$146,454	$126,815
	Unclaimed Winnings	N/A	N/A	N/A	N/A	N/A	$0	$0	$0	$487	$80,036
	State Pari-Mutuel Tax	N/A	N/A	N/A	N/A	N/A	$178,744	$268,986	$351,322	$457,742	$378,126
	City/County Pari-Mutuel Tax	N/A	N/A	N/A	N/A	N/A	$0	$0	$0	$0	$0
Dubuque Greyhound Park	Number of Performances	N/A	N/A	N/A	N/A	330	602	747	1,072	1,314	1,309
	Taxable Attendance	N/A	N/A	N/A	N/A	18,944	97,524	157,672	695,123	822,817	873,009
	Mutuel Handle	N/A	$15,290	N/A	N/A	$5,130,891	$8,940,378	$6,135,675	$5,780,154	$5,300,886	$5,143,580
	Breakage	N/A	N/A	N/A	N/A	$14,351	$19,908	$15,680	$13,781	$12,152	$12,919
	Unclaimed Winnings	N/A	N/A	N/A	N/A	$12,944	$17,180	$20,056	$21,856	$21,920	$26,973
	State Pari-Mutuel Tax	N/A	N/A	N/A	N/A	$51,309	$69,404	$61,357	$57,802	$53,008	$51,436
	City/County Pari-Mutuel Tax	N/A	N/A	N/A	N/A	$51,309	$69,404	$61,357	$57,802	$53,008	$51,436
Waterloo Greyhound Park	Number of Performances	N/A	N/A	N/A	N/A	358	452	441	348	N/A	N/A
	Taxable Attendance	N/A	N/A	N/A	N/A	29,688	32,569	38,458	16,658	N/A	N/A
	Mutuel Handle	N/A	N/A	N/A	N/A	$5,171,674	$6,100,843	$5,519,899	$2,444,010	N/A	N/A
	Breakage	N/A	N/A	N/A	N/A	$2,883	$18,087	$14,684	$5,724	N/A	N/A
	Unclaimed Winnings	N/A	N/A	N/A	N/A	$5,938	$7,631	$5,503	$10,659	N/A	N/A
	State Pari-Mutuel Tax	N/A	N/A	N/A	N/A	$51,717	$61,008	$55,199	$24,440	N/A	N/A
	City/County Pari-Mutuel Tax	N/A	N/A	N/A	N/A	$51,717	$61,008	$55,199	$24,440	N/A	N/A

*Simulcasting was not allowed without live racing. May 1991 legislation allowed simulcasting without live racing.

IOWA RACING AND GAMING COMMISSION
MINUTES
JANUARY 19-20, 1994

The Iowa Racing and Gaming Commission (IRGC) met on Wednesday, January 19, 1994, at 5:00 p.m. at Adventureland Inn in Altoona, Iowa. Commissioners present were: Chair, Lorraine May; Vice-Chair, Dick Canella; and members Rita Sealock and Del Van Horn.

Chair May called the meeting to order and entertained a motion to move into Executive Session for the purpose of hearing the results of background investigations performed by the Division of Criminal Investigation (DCI). Commissioner Canella so moved with Commissioner Van Horn seconding the motion. Motion passed.

Following Executive Session, the Chair recessed the meeting until 8:30 a.m., Thursday, January 20, 1994.

The Chair reconvened the meeting at 8:30 a.m., on Thursday, January 20, 1994, at Adventureland Inn in Altoona, Iowa. Commissioner Blair joined the meeting.

The Chair entertained a motion to approve the agenda with the addition of administrative business. Commissioner Sealock so moved with Commissioner Canella seconding the motion. Motion passed.

Chair May recognized Jack P. Ketterer, Administrator for IRGC, to discuss the next item on the agenda, adoption of amendments to Chapter 20. "Process for Excursion Gambling Boats" and Chapter 25, "Riverboat Operations," Iowa Administrative Code. The amendments would add the language "not more than" indicating the original licenses issued would not exceed three years and would be subject

to annual renewals thereafter. The language in the rule would then mirror the statutory language in 99F.7.

Commissioner Canella moved to adopt the amendments to Chapters 20 and 25, with Commissioner Sealock seconding the motion. Motion passed. (See Order 94-1)

Chair May called up the Sioux City Sue operations status and recognized Bruce Crary, counsel for the Sioux City Sue. Mr. Crary stated that during November, he and the Sioux City Riverboat Corporation spoke with several business entities who were interested in the success of the Sioux City Sue. He stated that Gaming Development, Inc., was chosen by Sioux City Riverboat Corporation and the Missouri River Historical Development (MRHD) to manage the Sioux City Sue until early April.

Jerry Hanson, a representative for the City of Sioux City stated that the City fully supports Gaming Development, Inc., and is looking forward to keeping either the Sioux City Sue, or another boat in the Sioux City area.

David O'Brien representing MRHD, agreed that he felt confident that Gaming Development, Inc., would be able to fulfill their obligation as manager and that it would be a good deal for everyone.

* * *

Commissioner Canella moved to approve the above named contracts with Commissioner Blair seconding the motion. All in favor. (See Order 94-10)

Linda K. Vanderloo, Director of Racing Administration for IRGC, discussed the contract approvals for Bluffs Run. She recommended approval of contracts with Post Time

Publications, Inc. for programs, and Line-True Photo's Inc., for photo finishes.

Commissioner Blair moved to approve the two contracts for Bluffs Run. The motion was seconded by Commissioner Sealock. Motion passed. (See Order 94-11)

Chair May called up the next item on the agenda which was the Staff recommendations for proposed legislation. Mr. Ketterer discussed the staff recommended changes for proposed legislation in order to make IRGC regulation more effective, avoid misleading the public, and remove outdated or unnecessary requirements. (See attached)

Chair May entertained a motion to approve staff recommended changes to proposed legislation. Commissioner Canella so moved with Commissioner Sealock seconding the motion. Motion passed unanimously. (See Order 94-12)

Commissioner Blair stated that he wanted to take this opportunity to thank Commissioner May and the other Gaming Study Panel for their hours of research and commitment to the Gaming Study. He asked whatever happened with the results the panel reached.

Chair May stated that she has received no communication in connection with research provided and at this point the status is unknown.

Commissioner Blair stated that he feels IRGC had achieved the original goals of the legislation. However, competition from outside the state, as well as Indian gaming competition seems to have set into motion severe economic forces that affect Iowa's licensees. In terms of regulation of these industries, the Commission was committed to the goals of economic development, tourism, job creation and tax revenues which have been achieved.

Commissioner Blair explained that it has nearly come to a point where we cannot effectively continue to meet those goals. With all the research and time involved in trying to find a solution to control these issues, it seems that these issues are not being discussed. Commissioner Blair stated again that he would like to thank Commissioner May and the Gaming Panel for everything they have done to remind us of our goals, find solutions and continue to achieve these goals.

Chair May stated that this a very emotional issue and that the only thing that the Commission can do is to keep a focus on the facts and issues and continue to try to provide the information necessary to come to a logical conclusion.

Otto Steele, member of Citizens for a Gambling Free Government, asked Mr. Ketterer to comment on his appearance before the legislative subcommittee, yesterday to recommend that the state allocate money for regulation of the Indian casinos.

Mr. Ketterer explained that the legislative subcommittee requested Chuck Sweeney, Director of the Department of Inspections and Appeals, to give a report relating to proper and correct negotiation with the tribes. Mr. Sweeney asked him to assist with the questions concerning what was being done to monitor the compacts. Mr. Ketterer stated that the way he understood it, the legislature felt that Iowa should not interfere with the tribal casinos without requiring the same things we were requiring from the riverboats. We do not regulate the Indian casinos; we only monitor their compacts. The tribes, as sovereign entities, have their own tribal commissions. The difficulty for the Commission, as well as any state agency, is that we cannot assure Iowans that go to the Indian

casinos that the casinos will be regulated in the same manner as the riverboat casinos. There seems to be some public policy considerations that should protect Iowans going in there. This creates a very difficult situation when one branch of government is saying we should not spend money and/or give the appearance of regulation and another branch saying there should be some type of protection for Iowans who go into those casinos. There needs to be some type of consensus between the two branches of government as to how they wish to handle this.

Mr. Steele stated that he would hope that there would be stronger or increased regulations on the riverboats should the limits be raised, such as more law enforcement, and considerations for the growing gambling addictions and other types of problems.

Mr. Ketterer welcomed any input from Mr. Steele related to those items.

Chair May stated that regulatory time would be freed up by the raising of limits, because all the time and energy spent trying to enforce the limits could be well spent by focusing on the integrity of the games.

Chair May called up the next item on the agenda which was the appointment of the administrator. Commissioner Canella moved to appoint Jack P. Ketterer as Administrator of the IRGC from May 1, 1994, to April 30, 1998. Commissioner Sealock seconded the motion. Motion unanimously passed. (See Order 94-13)

Mr. Ketterer stated that he appreciated the Commission's vote of confidence, and felt that much was owed to a very capable staff.

Chair May stated that the March Commission meeting currently set for March 17, 1994, would need to be re-scheduled. After deliberation among the Commissioners, it was decided the next meeting would be held March 3, 1994.

Meeting was adjourned.

Minutes taken by Debbie Baker

[LOGO]

IOWA RACING AND GAMING COMMISSION

SUPPLEMENT TO 1992 ANNUAL REPORT PURSUANT TO IOWA CODE CHAPTER 99D.21

With the ten-year anniversary of the initial adoption of pari-mutuel legislation in Iowa and the second anniversary of the opening of riverboat gambling, it is an appropriate time to review the effect of the legislation, whether or not it is meeting its intended goals, and the status of the industry.

The danger in any analysis is obvious. The report is not only subject to selective quotation but will inevitably be criticized by gambling opponents as a pro-gambling evaluation and by the gambling interests as overly critical. Depending upon the bias of the reader, both criticisms might be justified.

In order to make informed decisions, however, information is necessary; the fact that no single study can be complete and without controversy should not and will not prevent accumulation of information.

The Iowa Racing and Gaming Commission (IRGC) is charged with preparing an annual report to the Governor for the period ending December 31 of each year under Iowa Code Section 99D.21. The report is to include not only an account of the commission's actions, financial position and the results of operation, but information concerning practical results attained under the pari-mutuel chapter. In an effort to meet that charge, this report has been prepared.

The purposes of the pari-mutuel and riverboat legislation are tax generation, economic development and job

creation, riverfront development, and promotion of tourism. The impact on the quality of life in the various communities affected should also be reviewed.

I. TAX GENERATION

The first pari-mutuel track, Dubuque Greyhound Park, opened June 1, 1985. It was followed by Bluffs Run in February of 1986, Waterloo Greyhound Park in October of that same year and Prairie Meadows in March 1989.

On April 1, 1991, three riverboats began operation on the Mississippi River – the Dubuque Casino Belle, the Diamond Lady and The President. In May of that year, the Emerald Lady began operation with the Mississippi Belle II following in June. The most recent addition, the Sioux City Sue, opened in January of 1993. Two of these boats, the Diamond Lady and the Emerald Lady have since elected to move out-of-state.

Direct comparisons are difficult because the IRGC annual report is prepared on a calendar year, the tracks operate seasonally and the state budgets on a fiscal year (July through June). Some of the numbers below would be affected by the change from calendar to fiscal year calculations and in fund sources, but, in the aggregate, should be representative.

Although it is difficult to summarize direct tax revenue in an ever-changing environment, the data on file in the Commission office shows the following contributions to general revenue funds of the State on a *calendar year* basis:

	Pari-Mutual Tax***	Track Adm. Tax	Unclaimed Winnings, fines, and license fees	Rvboat Adm. Rvboat Taxes	Rvboat License Fees and Fines
1985	$2,105,033		257,508*		150,000
1986	9,326,570		672,838*	12,153,955	164,459
1987	10,843,962		870,672*	9,593,512	111,595
1988	11,184,100		999,407*		
1989	9,401,992		925,087*		
1990	6,428,572		754,847*	686,800	
1991	4,953,454	757,230	240,822	672,295	
1992	4,056,425	606,012	216,405		

***Figures shown are NET of tax credits.

*Unclaimed Winnings only.

Note: 1985 through 1988 figures include harness circuit.

THE TOTAL CONTRIBUTION TO THE GENERAL FUND SINCE THE INCEPTION OF PARI-MUTUEL AND RIVERBOAT GAMBLING IS $88,133,552.

In order to ascertain the net effect on the general revenue fund, however, one must take into consideration the amount expended or appropriated in regulation of the industry and other costs together with other funding sources.

With startup expenses in fiscal year 1985, IRGC received an appropriation from the General Fund of $296,400. From fiscal year 1986 until fiscal year 1992 (commencing July 1, 1991), the pari-mutuel expenses of IRGC costs were paid from the track admission fees, daily license fees, fines and occupational license fees paid by the licensees *not* included in the amounts paid into the general fund. Drug testing costs were billed to the, licensee. Those amounts were sufficient to provide not only the cost of regulation but also led to a reserve of approximately $692,000 which was transferred to the Child Support Recovery Unit. In addition, from those fees, IRGC awarded research grants to Iowa State University of $627,451 (1985 through 1990).

Expenses attributable to the general fund for those years (fiscal years 1985 through 1991) for pari-mutuel activities would include the following:

Department of Public Safety	$1,029,570
Department of Agriculture & Land Stewardship	464,027

Effective July 1991, the pari-mutuel and riverboat laws were changed to provide for payment of admission

fees, daily license fees, fines and occupational license fees into the general fund. Since that time, IRGC has received an appropriation through the general fund. We, therefore, have only one complete fiscal year (FY92) in which all of the income and expenses for pari-mutuel and the riverboats can be directly compared through expenditures and receipts of the general fund.

In *fiscal year* 1992, the total payment into the General Fund was $21,853,157. From that amount, the State appropriated the following from the General Fund: $2,317,718 to the IRGC for regulation of racing and riverboats, $286,989 to the DCI for pari-mutuel, and $174,090 to the Department of Agriculture and Land Stewardship. In addition $1,550,000 was spent by the DCI from the General Fund in connection with the riverboats (net of background reimbursements). Actual DCI expenditures for FY 1992 in connection with the riverboats was $1,679,500; however, $129,500 was recouped from background reimbursements, leaving the above balance from the General Fund. The General Fund appropriation for the Gambler's Assistance Fund was $400,000, of which riverboat revenues contributed a portion and which also includes a contribution from Lottery. Further, $250,000 of the $400,000 allocation to Gambler's Anonymous was actually spent; but, for purposes of this report, the entire $400,000 will be considered. as expended and charged entirely to the pari-mutuel/riverboat industries with no allocation to Lottery.

In summary, in fiscal year 1992 there was a direct net positive impact on the General Revenue Fund of $17,524,360, not including Gambler's Assistance.

In addition, the tracks and riverboats have paid the following taxes in accordance with 99D and 99F to city and county governments by *calendar year*:

	Pari-Mutuel Tracks	Riverboats
1985	$ 416,902	
1986	1,861,201	
1987	2,164,619	
1988	2,214,854	
1989	1,996,373	
1990	1,486,582	
1991	1,205,603	$ 644,932
1992	876,576***	699,042

*** Net less the $89,810 refunded by Black Hawk County to Waterloo Greyhound Park.

TOTAL CONTRIBUTIONS TO CITY AND COUNTY GOVERNMENTS THROUGH 1992: $13,566,684.

In addition, Bluffs Run has paid $846,055 in property taxes since 1986.

II. ECONOMIC DEVELOPMENT AND JOB CREATION

The information concerning direct tax revenue does not take into consideration the tax revenue generated by the economic development and jobs created as a result of the businesses established by the legislation. It is obviously a more difficult impact to measure as each dollar generated has a multiplier effect in the economy. Unlike

the lottery which is operated by the State and from which the State keeps the profits, the greatest economic impact of the pari-mutuel and riverboat industries is indirect.

Perhaps one should start with the basics. The payrolls for the various licensees in 1992 were as follows**:

Dubuque Greyhound Park (11/91 - 11/92)	$ 1,481,086
Waterloo Greyhound Park (Year ending 5/31/92)	1,405,457
Bluffs Run (calendar year)	3,775,115
Prairie Meadows (calendar year)	2,163,584
Dubuque Casino Belle (calendar year)	5,460,569
The President (calendar year)	14,201,721
Mississippi Belle II (calendar year)	2,233,606

**The Emerald Lady and the Diamond Lady which departed in July 1992 are not included. The above numbers reflect gross salaries and benefits but do not include employer taxes paid. Nor is the amount of Iowa state income tax paid readily available as the state income tax withheld would not necessarily reflect the actual tax liabilities.

In 1992, The President was the *SIXTH* largest employer in the Quad Cities.

The salary ranges for these jobs obviously vary. For most positions, the riverboat and pari-mutuel industries must compete for employees with other employers in the community. However, even for jobs which would otherwise

command only minimum wage in the market, the riverboats must statutorily pay 125% of minimum wage.

In addition, the following amounts have been paid to the trainers, jockeys, kennel operators and owners of racing animals by *calendar year*:

	Purses	Dog Promotion	Breeders Awards, Supplements & Iowa Stakes Races
1985	$ 1,463,405		262,049
1986	5,870,375		808,555
1987	6,792,510		1,051,180
1988	6,693,682		1,018,194
1989	9,732,839	7,949	1,012,820
1990	6,850,848	6,834	754,850
1991	6,210,152	14,969	995,610
1992	3,768,946	18,223	1,298,831
TOTALS	**$ 47,382,757**	**$ 47,975**	**$ 7,202,089**

The purses paid have an impact throughout this state as the money is filtered to rural Iowa to pay for the feed, the kennels, the veterinary supplies, the bedding, the supplies and other services needed by the industry.

According to a release from the Department of Agriculture and Land Stewardship dated March 1, 1990, the "breeding, raising and training of race horses is a $50 million industry in Iowa."

The most recent information from the Iowa Department of Agriculture and Land Stewardship concerning the greyhound industry was released in 1988. According to that release:

> "Greyhound racing in Iowa adds an extra $2 million in economic activity to the state's agricultural sector, according to survey results released today by Iowa Secretary of Agriculture Dale M. Cochran. The breeding, caring for, and training of greyhounds used on the racing circuit is included in the agricultural sector of the economy. 'The breeders, owners, and trainers of the dogs used in racing generate this money through the wages they pay, the goods and services they purchase, and the licensing fees and taxes they pay,' said Cochran.
>
> In addition, according to Cochran, greyhound owners have $5.5 million invested in their dogs. . . . "

When that report was prepared in 1988, there were five or fewer Iowa kennels operating at the dog tracks in Iowa. In 1992, there were twenty-seven (27) Iowa-based kennels at the three pari-mutuel dog tracks in Iowa. While some projections could be made on that basis, the multiplier effect would not be precisely accurate.

With the passage of the pari-mutuel legislation, $87,000,000 was spent in Iowa to build the four race tracks.

The sponsoring non-profits have also received funds, from these industries which have been used in support of civic and charitable causes in the various communities. In 1991, the sponsoring non-profits of riverboat operations received $5,197,971, and in 1992 they received $3,818,127,

for a total over the twenty-one months of operation of $9,016,098.

These amounts do not include the sums donated by the sponsoring organizations of the tracks or those funds contributed by the gambling entities as corporate citizens. For example, in 1992, The President Riverboat Casinos contributed an additional $150,000 to charitable causes. Since Bluffs Run began operation, Iowa West Association, as the licensed non-profit for the dog track, reports that it contributed $1,255,189 to charitable causes.

Each of these entities, tracks and riverboats, require services from the community in which they exist. Each purchases a variety of goods and services from food and beverages to electricity to accounting and legal services to flowers and steel beams.

Since April 1, 1991, through November 30, 1992, The President, for example, has paid $17,331,405 to vendors in the Quad Cities alone.

As an outgrowth of the racing industry in Iowa, the Iowa State University Racing Chemistry Section of the Veterinary Diagnostic Laboratory, located in Ames, Iowa, was created and has developed an expertise in drug detection, research and methodology acknowledged internationally. This laboratory was the first in the nation to develop the expertise and capability to test for anabolic steroids in equine. Further, Dr. Walter Hyde, Director of the Racing Chemistry Laboratory was the only representative from the United States to attend and present a research paper at an international meeting in Zimbabwe. Racing chemists throughout this country, and the world, come to Iowa State University to train in this field.

In recognition of its premiere expertise in racing chemistry, the Iowa State University Laboratory was recently awarded a contract to serve as the research and reference lab for the Association of Racing Commissioners International, an organization representing state and foreign countries. This contract, in the first year, brought $300,000 of out-of-state research funds into the State of Iowa, funds which had previously (since 1965) been directed to Ohio State University.

In addition, Iowa State University currently provides testing services for the State of California. During the first ten months of the contract, more than $120,000 was received. The laboratory also has a four-year contract with the State of Kansas. Receipts from that contract during the first year (July 1, 1991 through June 30, 1992) totalled $327,238.

As a direct result of the pari-mutuel industry in Iowa and the expertise developed at Iowa State University in response to that industry need, Iowa State University has become the acknowledged leader in racing chemistry. The laboratory regularly employs seventeen individuals at a combined annual salary, including benefits, of $473,424. Those salaries are funded entirely by racing chemistry revenue.

III. RIVERFRONT DEVELOPMENT

One of the stated purposes of the riverboat legislation was riverfront development. The riverfront in many of our cities had deteriorated with lack of use in recent years. With the arrival of the riverboats, the areas were renovated.

According to the information received from the cities and licensees, the following amounts have been expended in riverfront development with the arrival of the riverboats:

Davenport

The City spent approximately $289,000 in connection with the riverfront renovation in recent years, most of which were legal or consultant fees.

The President Riverboat Casinos spent $3,192,800 on the levy and $650,000 on facility improvements on the waterfront.

Clinton

In Clinton, the boat operator spent approximately $1,000,000 and the City expended approximately $500,000 to develop the riverfront area.

Dubuque

$7.7 million has been spent in the development and renovation of the riverfront in Dubuque. The City advanced $4 million on the project and this amount was fully reimbursed by the nonprofit licensee in the first eight months of operation. The $3.7 million balance was paid by the operator.

Sioux City

The City has spent approximately $850,000 on riverfront development; the boat operator has made no cash expenditure on permanent waterfront development.

Fort Madison-Burlington-Keokuk

The City of Fort Madison spent $2.6 million in developing their riverfront with the anticipation that riverboat gambling would be in their community for years to come. The City of Burlington invested approximately $50,000

with the operator investing another $35,000. In Keokuk, the city invested $1 million in riverfront development.

IV. SOCIETAL IMPACT

Given the moral controversy surrounding the gambling industry and the difficulty in measuring the effect on individual lives, societal impact is difficult to objectively determine. In this area perhaps more than any other, one's moral convictions influence perceptions and dictate conclusions.

As noted in a five-year impact study prepared through the commission, "When the pari-mutuel industry came to Iowa, the critics of gambling often made the remark that betting in Iowa at the dog and horse tracks would bring the undesirable elements to our state." The Commission, in close cooperation with the Division of Criminal Investigation, continues to monitor for the infiltration of these negative influences.

As a starting point, the law enforcement agencies of the cities and counties in which tracks and/or riverboats are located were contacted. In relevant part, the following information was received:

> "Our statistics show that any recent increases in crime in Black Hawk county has been drug related. In also checking with the Black Hawk County Attorney's Office, they indicate no knowledge of any crimes relating to the gambling in Black Hawk County.
>
> In my personal opinion, the Waterloo Greyhound Park has had no negative impact upon the criminal justice system in Black Hawk County and in fact has been a positive factor in terms of

employment and monies returned to the governing bodies."

Michael Kubik
Sheriff of Black Hawk County

"Prior to the Greyhound Park opening there was some concern in the law enforcement community, including the Waterloo Police Department, that this type of activity may adversely affect the crime rate in the community. Our experience since that time, however, has not shown this to be a fact. While crime rates have increased over the past several years, this increase is not attributed to the Greyhound Park or its operations. The major cause of any increase in the crime rate is due to the increased influx of drugs and narcotics into the community over the past several years. This increase in the influx of drugs into this area is not caused by or related to the Greyhound Park operation."

Bernal F. Koehrsen, Jr., Chief of Police
City of Waterloo

"When it was first announced that Dubuque had been selected to be the site of a greyhound racing track, staff members of the Police Department met to discuss the expected impact on our crime rate.

Early predictions indicated that we could anticipate an increase in illicit drug trafficking and use, prostitution, and some infiltration of organized crime.

We are just beginning our ninth season of racing and I have to say that none of these negative aspects have come to pass. There has been no appreciable escalation of our crime statistics which could be directly attributed to the greyhound track. Our. involvement in terms of violations has been primarily misdemeanor offenses

such as public intoxication and fighting (usually domestic in nature).

. . . .

In conclusion, I would like to add that all our apprehensions have been put to rest. We are proud of our park and consider it to be one of the top tourist attractions our city has to offer."

Terry F. Lambert, Assistant Chief of
Police City of Dubuque

"The industry came to our county, first, the dog track and then riverboat gambling. I can say that I have not seen an increase in the inmate population in the county jail as a result of the gambling industry.

Because both the dog track and the docked riverboat are in the city limits of Dubuque, the Sheriff's Department is not the primary responding agency. However, if there were problems the Sheriff's Department would see an increase in its jail population. We have not seen that increase.

The gambling industry so far has not been a problem for the Dubuque County Sheriff's Department."

Leo J. Kennedy Dubuque County
Sheriff

"In reference to your inquiry on the impact riverboat gambling has had on crime in Scott County, it has had very little impact. There has been no noticeable increase in crime due to the new gaming industry. A possible exception to this may be an increase in car break-ins in our hotel and motel parking lots. We have, however, experienced an increase in vehicular traffic and parking problems around the boats."

Mike Bladel
Sheriff of Scott County

"Recently Police Chief Steve Lynn released a **Uniform Crime Report**. In this report, overall crime decreased in Davenport, which is one of the largest communities in the Quad Cities. The 1992 crime statistics show larceny/theft down by 521, burglaries down by 399 and robberies down by one from the 1991 crime totals.

I do not believe that riverboat gambling has brought an increase of crimes as was feared by many. In fact, the President Riverboat's private security has only asked for assistance with a disruptive passenger once or twice over the past two years."

Patrick J. Gibbs, Mayor Davenport,
Iowa

"I have been Sheriff of Pottawattamie County since January 1, 1993, and previous to that I was Sergeant of Investigations in the Sheriff's Department. To my knowledge Bluffs Run has had little or no effect on the criminal statistics that were previously mentioned."

Jefferey D. Danker,
Sheriff Pottawattamie County

"We are having a declining trend in the number of serious offenses reported in Council Bluffs. I don't feel that the opening of the dog track in 1986 has resulted in any serious impact for our department.

Bluffs Run has hired off-duty policy officers to work security and I believe this program has worked very well for all involved. The calls to the dog track are very minimal and have never proven to be very serious in nature.

I would like to emphasize that we have had a very good working relationship with the dog

track. They have permitted our department to use their facilities for training purposes for our driver's training and our K-9 Unit. It has definitely been a positive impact on our department especially in this regard."

Mark E. Moline
Council Bluffs Chief of Police

From the state perspective, Darwin Chapman, the Director of the Division of Criminal Investigation was contacted. According to Mr. Chapman, organized crime has not infiltrated this state through the gambling, industries and he has observed no negative impact on the crime rate resulting from the pari-mutuel and riverboat industries.

This is not a conclusion which either the DCI or the IRGC takes for granted, however. The agencies work closely together to protect the integrity of the sport or games. The gambling industry is very heavily regulated. There are two DCI agents assigned to each boat and one DCI agent is assigned to each track. Everyone working in the industry from the window teller to the management to the janitor to the individual who dispenses the soft drinks is licensed by the Commission and subjected to a DCI background check.

The impact of the addictive quality of gambling is more difficult to ascertain. The only information readily available comes from the Gamblers Assistance Program which is operated through the Department of Human Services. The following information was obtained from that program:

	Fund Revenue	Expenditures	No. Served
FY 86	$ 413,633	$ 9,844	N/A
FY 87	475,966	212,799	N/A
FY 88	623,540	400,429	258
FY 89	834,938	977,232	292
FY 90	815,197	815,197	351
FY 91	750,000*	670,719	362
FY 92	400,000*	250,000	306

A breakdown to determine the amount spent on advertising the program to identify clients and the dollars spent on actual service delivery was requested but not available.

V. STATE OF THE INDUSTRY

The pari-mutuel industry has been described as an industry in crisis. The statistics available support that conclusion. See Attachments A and B.

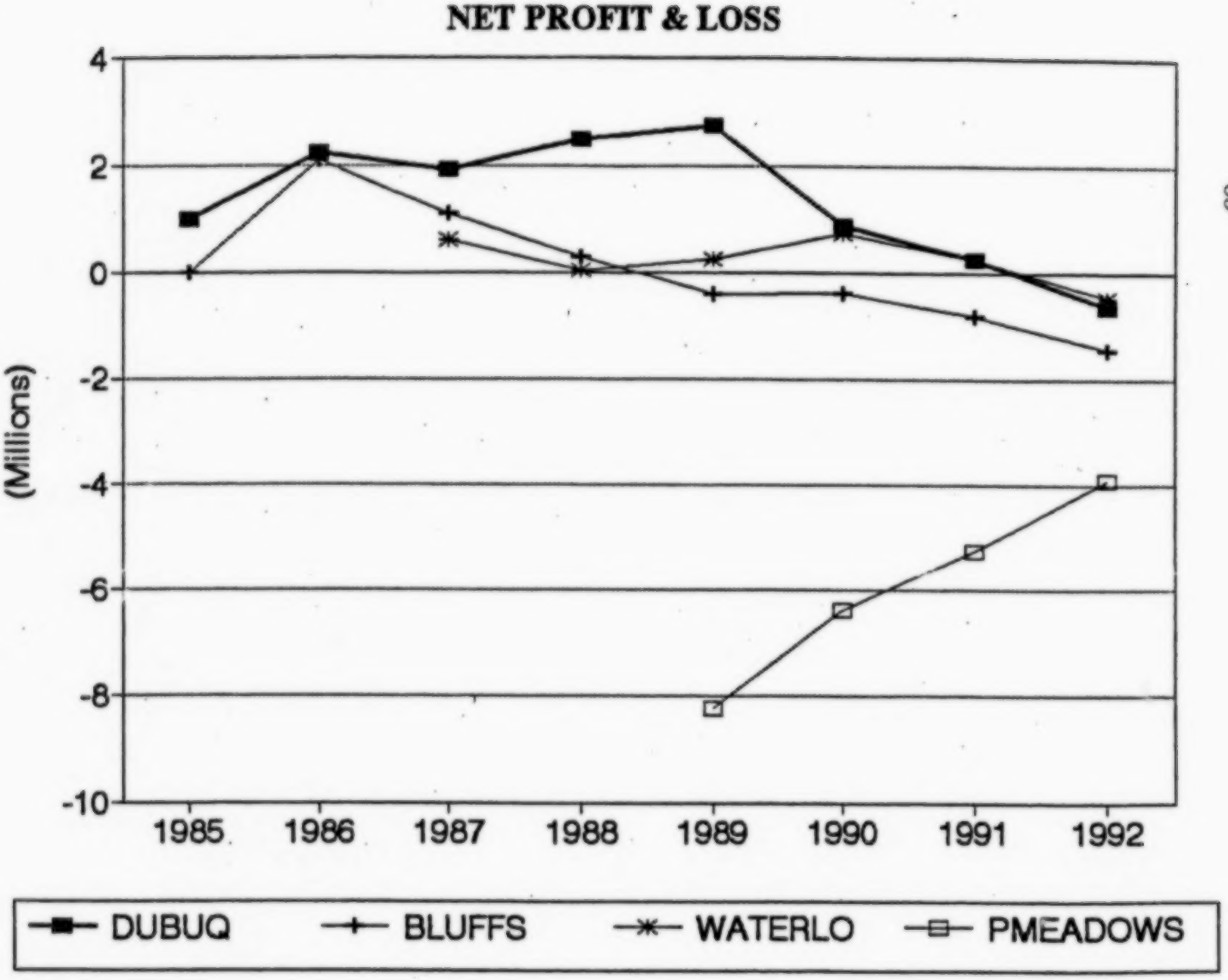
With the changes in the industry, including the opening of the Indian casinos and competition from neighboring states, and the total win from the riverboats have been impacted. See Attachments C and D.

While IRGC has been simultaneously criticized by gambling critics for not lobbying *against* changes in the gambling laws and by industry advocates for not lobbying *for* changes in those same statutes, neither is the function of IRGC. We are not lobbyists or advocates for either interest group. Those decisions are most appropriately left with elected representatives.

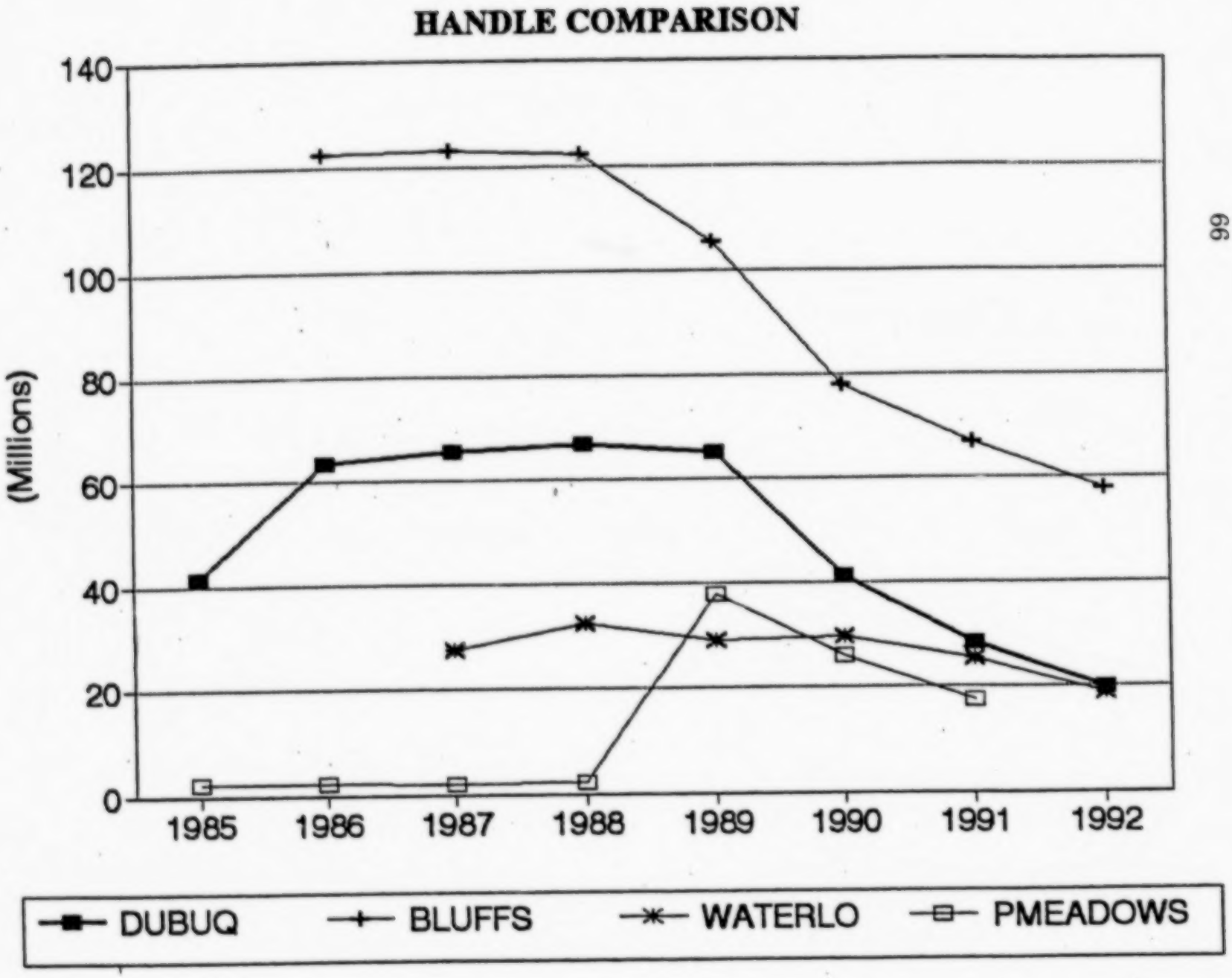
We are regulators and view ourselves as such. The only time IRGC becomes involved in the legislative process is in providing information and addressing those issues which affect our ability to effectively regulate and maintain the integrity of the industry.

The future of these industries lies in the hands of the legislature and the people of Iowa.

Information Compiled 5/93

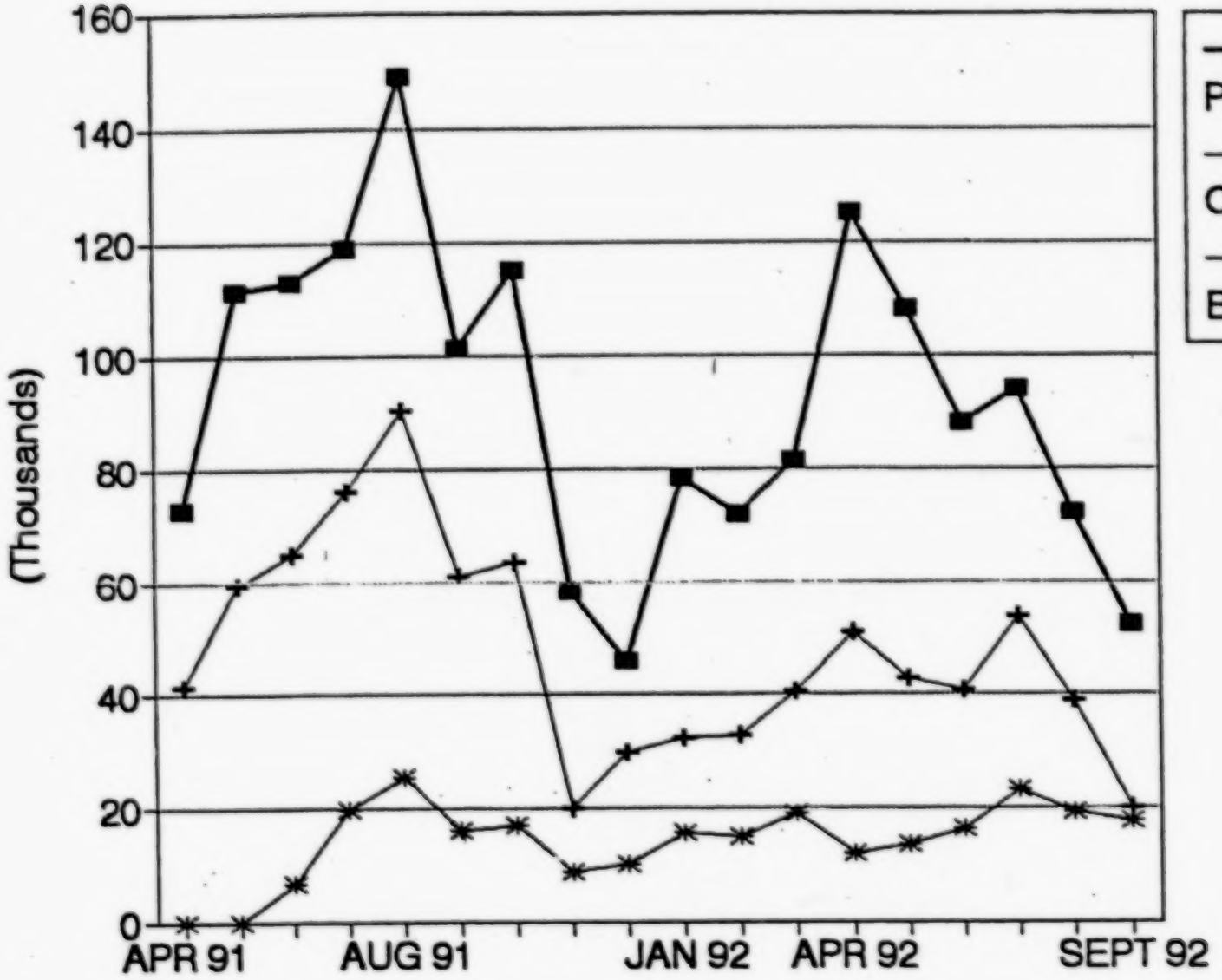

NET PROFIT & LOSS
(Millions)
4
2
0
-2
-4
-6
-8
-10
1985
1986
1987
1988
1989
1990
1991
1992
DUBUQ
BLUFFS
WATERLO
PMEADOWS

ATTACHMENT B

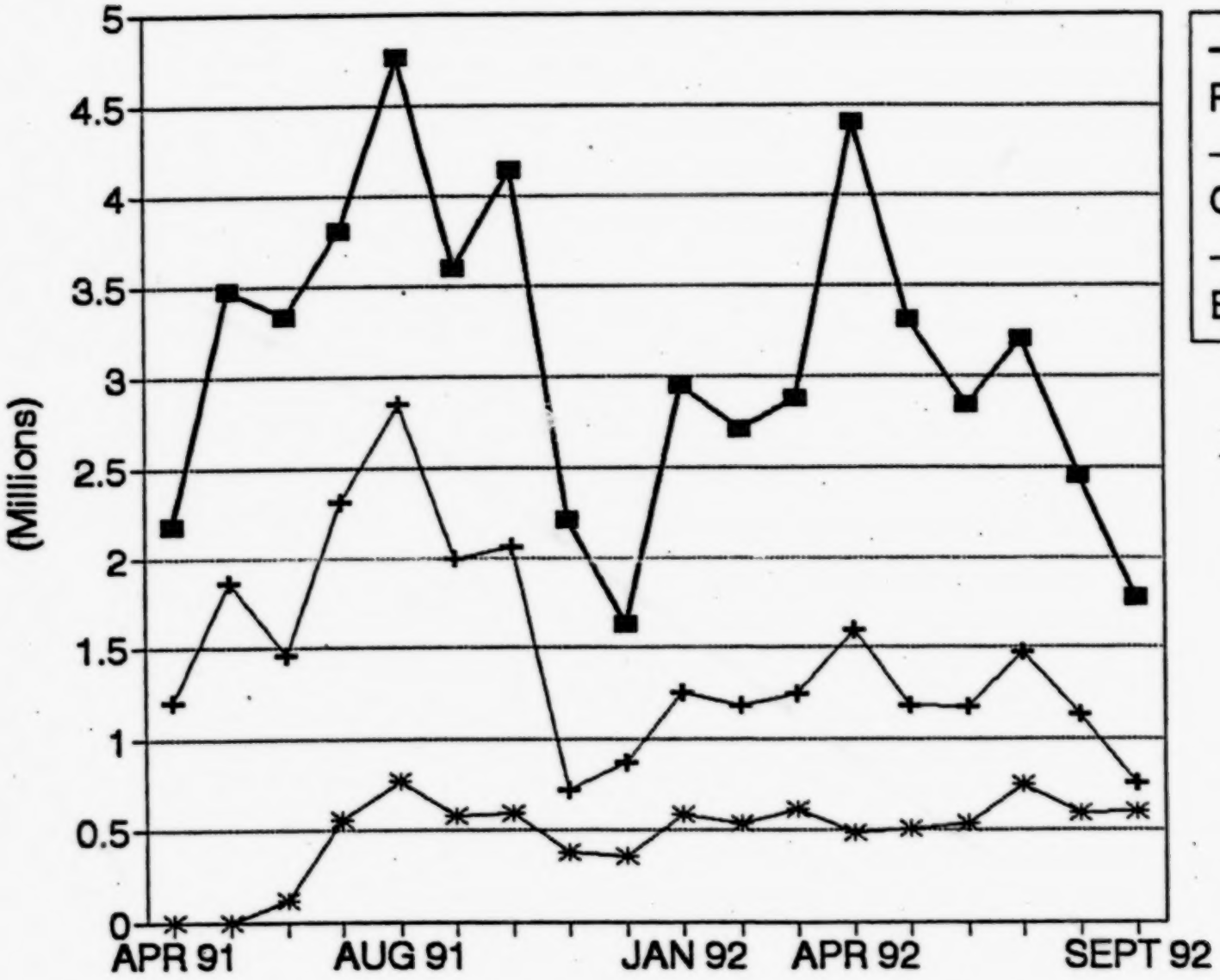


RIVERBOAT

ADMISSION COMPARISON



RIVERBOAT
TOTAL WIN COMPARISON



[SEAL] GOVERNOR
TERRY E. BRANSTAD

For Immediate Release:
August 26, 1993

CONTACT: Dick Vohs
515/281-3150

DES MOINES – Governor Terry Branstad today announced he is appointing Dr. Ed Stanek, Director of the Iowa Lottery, and Lorraine May, Chair of the Iowa Racing and Gaming Commission, to head a bipartisan committee to recommend changes in Iowa's gaming laws and regulations. Branstad is asking legislative leaders to appoint the four other members of the committee, a Republican and a Democrat from both the House of Representatives and the Senate.

Branstad charged the committee with conducing a detailed study of Iowa's gaming industry and asked for recommendations to retain jobs, assist the state's flood recovery efforts, address concerns of communities with gaming and protect the integrity of the state through regulation and control. The Governor ask the committee to report to him as expeditiously as possible.

The Governor said this approach is appropriate because no consensus has resulted among legislators or even among supporters or among opponents of gaming in Iowa.

GAMING STUDY

LORRAINE J. MAY
CO-CHAIR

EDWARD J. STANEK
CO-CHAIR

September 3, 1993

Governor Terry Branstad has appointed a bipartisan working group to conduct a detailed study of Iowa's gaming industry and, if appropriate, suggest changes in Iowa's gaming laws and regulations which might assist in retaining jobs, helping cope with flood recovery efforts, address concerns of communities with gaming, and protect the integrity of the State through regulation and control.

Any information you have concerning the gaming industry in Iowa (including economic development, effect on communities, employment, public concerns, regulation and control) and any opinions you have concerning amendments to the legislation and regulation governing the industry would be helpful in making an informed decision. Please submit an explanation of your views concerning those aspects of gaming which you feel need to be addressed and any information or documentation relative to these topics in writing to:

Gaming Study
4th Floor Equitable Building
Des Moines, Iowa 50309

or by FAX to (515) 288-2724.

The Governor has asked the study group to report as expeditiously as possible. It is imperative, therefore, that all responses be received *in writing* on or before September 23, 1993.

If you are aware of other individuals or entities who have information concerning the matters at issue or opinions concerning amendments to gaming legislation, please solicit their input and include it with your material or ask that it be submitted directly.

/s/ Edward J. Stanek
Edward J. Stanek

/s/ Lorraine J. May
Lorraine J. May

A STUDY OF GAMING IN IOWA

I. Introduction
   - A. General description of available gaming in Iowa
   - B. Citation of involved authorities and code sections

II. Economic Impacts of Gaming in Iowa
   - A. Capital investment
   - B. Number of jobs (payroll)
   - C. Secondary impacts (tourism, etc.)

III. Social Impacts of Gaming in Iowa
   - A. Crime rates
   - B. Compulsive gambling statewide

IV. National Trends and Their Impact on Iowa

V. State of Affairs for Each Iowa Operation

VI. Perceived Regulator and Business Related Obstacles to the Success of Each Venture

VII. Recommendations
A. Policies
B. Legislative

A STUDY OF THE IOWA GAMING INDUSTRY
RECOMMENDATIONS FOR STATUTORY CHANGES
AND MINORITY REPORT

PREFACE

On August 26, 1993, Governor Terry Branstad appointed Lorraine J. May, Chair of the Iowa Racing and Gaming Commission and Dr. Edward J. Stanek, Commissioner of the Iowa Lottery, to head a bipartisan committee to recommend changes in Iowa's gaming laws. Legislative leaders appointed four other members of the committee: Representative Art Ollie, Clinton; Representative Teresa Garman, Ames; Senator Mary Kramer, West Des Moines and Senator Joe Welsh, Dubuque.

Branstad charged the committee with conducting a detailed study of Iowa's gaming industry and asked for recommendations to retain jobs, assist the state's flood recovery efforts, address concerns of communities of gaming and protect the integrity of the state through regulation and control. The Governor asked the committee to report to him as expeditiously as possible.

The Gaming Study Committee wishes to recognize and give thanks to the following for their hard work and contribution to the Committee:

Iowa Racing and Gaming Commission staff

Iowa Lottery staff

Legislative Service Bureau

Department of General Services (Printing, Communications, Mail Room)

All those who submitted written information to the Committee and those who called expressing their opinions on the Gaming Study telephone line

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I. INTRODUCTION

With the exception of bingo and certain low stakes social games, Iowa's experience with formalized gambling began and grew during the 1980s. Chapter 99E of the Code authorized the Lottery and established its charge as maximizing net income while maintaining the dignity of the state and the general welfare of the people.

The purposes of the pari-mutuel (Chapter 99D) and riverboat legislation (Chapter 99F) are the development of horse and greyhound breeding industries, tax generation, economic development and job creation, riverfront development, and promotion of tourism.–

The first pari-mutuel track, Dubuque Greyhound Park, opened June 1, 1985. It was followed by Bluffs Run in February of 1986, Waterloo Greyhound Park in October of that same year and Prairie Meadows in March 1989.

On April 1, 1991, three riverboats began operation on the Mississippi River – the Dubuque Casino Bell, the Diamond Lady and The President. In May of that year, the Emerald began operation with the Mississippi Belle II following in June. The most recent addition, the Sioux City Sue, opened in January of 1993. Three of these boats, the Diamond Lady, the Emerald Lady, and the Dubuque Casino Belle have since elected to move out-of-state.

II. TAX GENERATION AND ECONOMIC IMPACT

Although it is difficult to summarize direct tax revenue in an ever-changing environment, the data on file with the Iowa Racing and Gaming Commission ("Commission") shows the following contributions to general revenue funds of the State on a *calendar year* basis from the pari-mutuel and riverboat industries:

	Pari-Mutuel Tax***	Track Adm. Tax	Unclaimed Winnings, fines, and license fees	Rvboat Adm.	Rvboat Taxes	Rvboat License Fees and Fines
1985	$ 2,105,033		257,508*			
1986	9,326,570		672,838*			
1987	10,843,962		870,672*			
1988	11,184,100		999,407*			
1989	9,401,992		925,087*			
1990	6,428,572		754,847*			150,000
1991	4,953,454	757,230	240,822	686,800	12,153,955	164,459
1992	4,056,425	606,012	216,405	672,295	9,593,512	111,595

***Figures shown are NET of tax credits.
*Unclaimed Winnings only.
Note: 1985 through 1988 figures include harness circuit.

THE TOTAL CONTRIBUTION TO THE GENERAL FUND SINCE THE INCEPTION OF PARI-MUTUEL AND RIVERBOAT GAMBLING IS $88,133,552.

In fiscal year 1992 there was a direct contribution from the pari-mutuel and riverboat industries to the General Revenue Fund of approximately $17,650,000 net of all regulatory expense, expenditure by Gamblers' Assistance, DCI and Department of Agriculture allocations.

In addition, the tracks and riverboats have paid. the following taxes in accordance with 99D and 99F to city and county governments:

Calendar Year	Pari-Mutuel Tracks	Riverboats
1985	$ 416,902	
1986	1,861,201	
1987	2,164,619	
1988	2,214,854	
1989	1,996,373	
1990	1,486,582	
1991	1,205,603	$ 644,932
1992	876,576***	699,042

***Net less the $89,810 refunded by Black Hawk County to Waterloo Greyhound Park.

TOTAL CONTRIBUTIONS TO CITY AND COUNTY GOVERNMENTS THROUGH 1992: $13,566,684.

Bluffs Run has also paid $846,055 in property taxes since 1986 which is not included above.

The information concerning direct tax revenue does not take into consideration the tax revenue generated by the economic development. and jobs created as a result of the businesses established by the legislation. It is obviously a more difficult impact to measure as each dollar generated has a multiplier effect in the economy.

Perhaps one should start with the basics. The payrolls for the various licensees in 1992 were as follows**:

Dubuque Greyhound Park (11/91 – 11/92)	$ 1,481,086
Waterloo Greyhound Park (Year ending 5/31/92)	1,405,457
Bluffs Run (calendar year)	3,775,115
Prairie Meadows (calendar year)	2,163,584
Dubuque Casino Belle (calendar year)	5,460,569
The President (calendar year)	14,201,721
Mississippi Belle II (calendar year)	2,233,606
TOTAL	$ 30,721,138

**The Emerald Lady and the Diamond Lady which departed in July 1992 are not included. The above numbers reflect gross salaries and benefits but do not include employer taxes paid. Nor is the amount of Iowa state income tax paid readily available as the state income tax withheld would not necessarily reflect the actual tax liabilities.

In 1992, The President was the SIXTH largest employer in the Quad Cities and Bluffs Run, was Council Bluffs' EIGHTH largest employer when part-time employees are included.

The salary ranges for these jobs obviously vary. For most positions, the riverboat and pari-mutuel industries must compete for employees with other employers in the community. However, even for jobs which would otherwise command only minimum wage in the market, the riverboats must statutorily pay 125% of minimum wage. The President Riverboat reports on average hourly wage (weighted among full-time, part-time and seasonal employees) of $9.11 per hour including reported tips.

In addition, the following amounts have been paid to the trainers, jockeys, kennel operators and owners of racing animals:

Calendar Year	Purses	Dog Promotion	Breeders Awards, Supplements & Iowa Stakes Races
1985	$ 1,463,405		262,049
1986	5,870,375		808,555
1987	6,792,510		1,051,180
1988	6,693,682		1,018,194
1989	9,732,839	7,949	1,012,820
1990	6,850,848	6,834	754,850
1991	6,210,152	14,969	995,610
1992	3,768,946	18,223	1,298,831
TOTALS	**$47,382,757**	**$47,975**	**$7,202,089**

The purses paid have an impact throughout this state as the money is filtered to rural Iowa to pay for the feed, kennels, veterinary services, bedding, equipment and other services needed by the industry.

According to a release from the Department of Agriculture and Land Stewardship dated March 1, 1990, the "breeding, raising and training of race horses is a $50 million industry in Iowa."

The most recent information from the Iowa Department of Agriculture and Land Stewardship concerning the greyhound industry was released in 1988. According to that release:

> "Greyhound racing in Iowa adds an extra $2 million in economic activity to the state's agricultural sector, according to survey results released today by Iowa Secretary of Agriculture Dale M. Cochran. The breeding, caring for, and training of greyhounds used on the racing circuit is included in the agricultural sector of the economy. 'The breeders, owners, and trainers of the dogs used in racing generate this money through the wages they pay, the goods and services they purchase, and the licensing fees and taxes they pay,' said Cochran.
>
> In addition, according to Cochran, greyhound owners have $5.5 million invested in their dogs. . . ."

When that report was prepared in 1988, there were five or fewer Iowa kennels operating at the dog tracks in Iowa. In 1992, there were twenty-seven (27) Iowa-based kennels at the three parimutuel dog tracks in Iowa. While some projections could be made on that basis, the multiplier effect would not be precisely accurate.

With the passage of the pari-mutuel legislation, $87,000,000 was spent in Iowa to build the four race tracks.

The strength of Iowa's gaming laws lies in the required participation of licensed non-profit corporations. These organizations ensure that after-tax profits are invested in the communities they serve. In 1991 the sponsoring non-profits of riverboat operations received $5,197,971, and in 1992 they received $3,818,127, for a total over the twenty-one months of operation of $9,016,098.

Since Bluffs Run began operation, Iowa West Racing Association, as the licensed non-profit for the dog track, reports that it contributed $1,255,189 in 200 grants to charitable organizations in fifty-six communities.

Recipients of riverboat and pari-mutuel profits include entities which provide business growth, tourism and riverfront development; education (scholarships and learning resources); community emergency services (police, fire and rescue); social services (food banks and care facilities) and cultural resources (libraries and the arts). These amounts do not include the sums donated by the sponsoring organizations of the tracks or those funds contributed by the gambling entities as corporate citizens. For example, in 1992, The President Riverboat Casinos contributed an additional $150,000 to charitable causes.

Each of these entities, tracks and riverboats, require services from the community in which they exist. Each purchases a variety of goods and services from food and beverages to electricity to accounting and legal services to flowers and steel beams.

For example, since April 1, 1991, through November 30, 1992, The President has paid $17,331,405 to vendors in the Quad Cities alone. Since inception, Bluffs Run has

purchased more than $24 million in goods, services and utilities from area vendors.

As an outgrowth of the racing industry in Iowa, the Iowa State University Racing Chemistry Section of the Veterinary Diagnostic Laboratory, located in Ames, Iowa, was created and has developed an expertise in drug detection, research and methodology acknowledged internationally. This laboratory was the first in the nation to develop the expertise and capability to test for anabolic steroids in equine. Further, Dr. Walter Hyde, Director of the Racing Chemistry Laboratory was the only representative from the United States to attend and present a research paper at an international meeting in. Zimbabwe. Racing chemists throughout this country, and the world, come to Iowa State University to train in this field.

In recognition of its premiere expertise in racing chemistry, the Iowa State University Laboratory was recently awarded a contract to serve as the research and reference lab for the Association of Racing Commissioners International, an organization representing state and foreign countries. This contract, in the first year, brought $300,000 of out-of-state research funds into the State of Iowa, funds which had previously (since 1965) been directed to Ohio State University.

In addition, Iowa State University currently provides testing services for the State of California. During the first ten months of the contract, more than $120,000 was received. The laboratory also has a four-year contract with the State of Kansas. Receipts from that contract during the first year (July 1, 1991 through June 30, 1992), totalled $327,238.

As a direct result of the pari-mutuel industry in Iowa and the expertise developed at Iowa State University in response to that industry need, Iowa State University has become the acknowledged leader in racing chemistry. The laboratory regularly employs seventeen individuals at a combined annual salary, including benefits, of $473,424. Those salaries are funded entirely by racing chemistry revenue.

One of the stated purposes of the riverboat legislation was riverfront development. The riverfront in many of our cities had deteriorated with lack of use in recent years. With the arrival of the riverboats, the areas were renovated.

According to the information received from the cities and licensees, the following amounts have been expended in riverfront development with the arrival of the riverboats:

Davenport

The City spent approximately $289,000 in connection with the riverfront renovation in recent years, most of which were legal or consultant fees

The President Riverboat Casinos spent $3,192,800 on the levy and $650,000 on facility improvements on the waterfront.

Clinton

In Clinton, the boat operator spent approximately $1,000,000 and the City expended approximately $500,000 to develop the riverfront area.

Dubuque

$7.7 million has been spent in the development and renovation of the riverfront in Dubuque. The City advanced $4 million on the project and this amount was fully reimbursed by the nonprofit licensee in the first eight months of operation. The $3.7 million balance was paid by the operator.

Sioux City

The City has spent approximately $850,000 on riverfront development; the boat operator has made no cash expenditure on permanent waterfront development.

Fort Madison-Burlington-Keokuk

The City of Fort Madison spent $2.6 million in developing their riverfront with the anticipation that riverboat gambling would be in their community for years to come. The City of Burlington invested approximately $50,000 with the operator investing another $35,000. In Keokuk, the city invested $1 million in riverfront development.

After paying back its $3.5 million start-up loan in 1985 after its first three weeks of operation, the Lottery has acted as an enterprise. The General Fund bears no financial responsibility for the Lottery and no tax dollars are used in its operation. The Lottery generated $56 million for the General Fund in fiscal year

* * *

Further, contrary to stereotype, an Iowa Poll taken in 1991 reported that the poorest Iowans are the *least* likely

to gamble. Only 39 percent of those Iowans with family incomes of less than $15,000 a year said they gamble. Forty-seven percent of those with incomes of $50,000 or more reported that they gamble. See Exhibit "E" attached hereto for specific information concerning the Iowa Poll.

IV. STATE OF THE INDUSTRY

A. National Trends.

In addition to several states adopting legislation legalizing limited forms of casino gaming, the passage of the Indian Gaming Regulatory Act (IGRA) of 1988 has spawned an explosion of full scale casinos on tribal reservation land in many states. IGRA requires states to negotiate a compact in good faith with tribes who desire to conduct gaming operations on their reservations of a type which is permitted by the state.

Iowa has entered into compacts with the only three tribes with reservation land in Iowa. Two of Iowa's neighbors, Minnesota and Wisconsin, have witnessed the construction of in excess of fifteen casinos in each state. Iowa residents are patronizing the Iowa and Minnesota tribal casinos in large numbers.

After Iowa passed the first all encompassing riverboat gambling legislation in 1989, Illinois responded with riverboat enabling legislation. The Illinois law removed many of the restrictions and limitations contained in the Iowa law. The result has been a better competitive business environment in Illinois and Illinois has now wrested control of the Mississippi River from Iowa in the riverboat arena.

Casino gambling, particularly the wide spread growth of landbased tribal casinos, has had a devastating effect upon pari-mutuel facilities nationwide. Experience has demonstrated wagering at pari-mutuel facilities will decline 40 to 60% in the first two years following introduction of casinos in the same market.

Minnesota's only horse track has closed and left a burgeoning horse breeding industry floundering. Wisconsin is now facing the closing of three greyhound tracks constructed in 1990 prior to the introduction of casino gambling.

This scene is and will be played out in every state across the country during the 90's except in Utah and Hawaii where no forms of legal gambling exist. Pari-mutuel facilities are attempting to diversify their product to meet the competition. Some are aligning themselves with Nevada gaming operators to obtain riverboat licenses as the Dubuque Racing Association did with a local operator. The Nevada operators are meeting the competition for the gaming dollar by expanding their market base into other states where gaming is now legal.

Other pari-mutuel operators are attempting to utilize their existing facilities by installation of various electronic gaming machines. Lincoln Greyhound Park in Rhode Island and Mountaineer Park in West Virginia both have forms of video lottery games. In Louisiana horse tracks offer coin-operated machines (a limited number are offered at truck stops and lounges) at their race tracks and off-track betting facilities.

As tribal casinos and riverboats continue to mushroom throughout the nation, pari-mutuel facilities must adapt to the changing business environment. If not, these

facilities and the industries for which they serve as a support system will go the way of the dinosaur.

Attached hereto as Exhibit "B" is an account written by Maury Wolff which originally appeared in the 1993 *North American Gambling Abstract* and which was presented in a September, 1993, seminar sponsored by the National Conference of State Legislatures.

B. Impact on Iowa

Iowa's riverboats have suffered due to the competitive environment along the Mississippi River. The graphs attached as Exhibit "C" illustrate the effect of recent market changes on the President Riverboat.

The Iowa Lottery set new monthly sales records in May, 1993, then again in June and then again in July. Floods throughout Iowa took their toll on the impulse sales of scratch tickets through the summer. The Nebraska Lottery was started in September, 1993. It is expected that the Iowa Lottery will lose about 2% of its total sales as a result of the availability of scratch tickets within Nebraska borders. The Iowa Lottery may lose another 3% of total sales when Nebraska begins selling Powerball tickets – scheduled for April 1994. Iowa is now surrounded by lottery competition; the states of Wisconsin, Minnesota, South Dakota, Nebraska, Kansas, Missouri and Illinois now all have lotteries.

Any expansion of gaming in Iowa could have an impact on Iowa's lottery sales and profits. The addition of any new gaming facilities always provides the potential for cannibalizing the spending at other gaming facilities. This has been the case in Iowa and elsewhere across the country

as new tracks and casinos have been added to the gaming mix.

The pari-mutuel industry in Iowa has not been spared. The graphs attached as Exhibit "D" depict the sharp decline in business with noteworthy dates indicated.

V. CONSIDERATIONS

In connection with its charge, the Gaming Study Panel met twice and has solicited and received over 1300 telephone calls and more than a hundred written submissions. In addition, the members have compiled information available in the State offices including the Iowa Racing and Gaming Commission and the State Lottery and taken notice of the gaming industry on a local, regional and national level.

Some of the information received cautions against gaming's potential impact on social values and behavior. Much of it defines the current economic value of various aspects of Iowa's gaming industry. The number of jobs involved means that gaming operations have a significant presence in the functioning of local economies, if not the state economy as a whole. Iowa's riverboats are currently profitable. The Lottery has made substantial contributions to the state treasury. Although the state's only thoroughbred track has had difficulty making a profit, all of Iowa's dog tracks were operated profitably until more racing facilities were added in the surrounding region while riverboat casinos and Indian casinos were added to the competitive mix.

Chapters 99D, 99E, and 99F were enacted by the Iowa legislature to promote economic development, increase

jobs, generate tax revenue and support riverfront development. The Iowa Lottery, the pari-mutuel industry and the riverboats have substantially met those purposes with no evidence of increased crime rate and negative societal impacts. Given the changing regional gaming environment, legislative amendments are necessary to preserve these economic benefits.

Although the Iowa riverboat casinos that remain on the Mississippi operate profitably, they operate at a disadvantage relative to newly-authorized riverboats across the river in Illinois. The bet limits and loss limits originally designed to protect the consumer from compulsive gambling have had their purpose frustrated since no limits apply just a mile across the water to the east. The perception on the part of casino patrons is that the application of bet limits in particular works against them and in favor of the house, since the patron has no control over the size of the bet in circumstances favorable to the patron. Therefore some of these patrons frequent the riverboats in Illinois.

With the downturn in attendance associated with this particular perception, Iowa's riverboat operators are inclined to move their investments to where a greater return can be realized. In particular, the President Riverboat in Davenport had 693 active employees as of September 5, 1993. This was 561 full-time equivalents. In addition, the President accounts for millions of dollars in spending on provisions and other logistical considerations with the immediate economy in the Quad Cities area. Prompt action is required to save these jobs and the economic development associated with them.

Iowa's thoroughbred racing facilities are encumbered by a statutory requirement for a minimum. number of days of live racing. Actual experience has shown that the track cannot operate profitably for a number of these days because of high overhead, the size of the market in which it is located, the need to provide adequate purses and the overlapping of seasons from competing facilities. The statutory requirement does not take into account the dynamics of marketing and the challenges of managing a successful enterprise. Tracks should not be required to have more races than they can handle profitably. The legislature should look at providing the flexibility to allow the Racing and Gaming Commission to approve changes in live racing requirements.

There remains the problem of Iowa's pari-mutuel racing facilities losing money. All of the tracks have financial problems, although some more acutely than others. It appears clear that the addition of slot machines to the tracks would raise additional revenue. From experience elsewhere in the county, the immediate competition from slot machines might reduce the betting on horses and dogs by as much as 40%.

Those agricultural industries (race horse and greyhound breeding and training) are dependent upon a location to display their products in order to survive economically; the closure of the tracks (and the Iowa Bred supplements which follow) will essentially eliminate those agricultural businesses. Any provisions which operate to benefit the track should insure that a reasonable portion of the profits off other gaming interests filter back to the, agricultural interests which the pari-mutuel legislation was created to support.

On the other hand, the overbuilding of gaming operations, such as the number of casinos in Deadwood, South Dakota where 60% of the operations lost money last year and in Atlantic City where nine casinos have filed for bankruptcy, indicates that an overexpansion of the gaming industry even in the lucrative casino business does not assure success.

It has been estimated by the study produced by a consultant retained by the Dubuque Racing Association that up to $100 million in slot machine revenues could be produced with the addition of slot machines at Iowa's four tracks. There was, however, no attempt to determine the source of these revenues and what economic displacement might occur by moving money from elsewhere in the economy to spending at these facilities. It is likely that a large portion of these revenues would come at the expense of wagering at Indian casinos already in operation in the state. It is also possible that these land-based slot machine operations will compete with riverboats for customers and will compete with the Iowa Lottery for gaming income. In the time available it has not been possible to determine how much of the Lottery's $56 million contribution to the state treasury would by jeopardized. There is also no study available to determine the effect of additional gaming on other elements of the hospitality industry such as bars and bowling alleys.

Iowa's Indian tribes are concerned about the proliferation of slot machine complexes next to major population centers which have the potential for diverting customers away from the casinos on their trust lands. The Omaha Indian Tribe of Nebraska has told members of the gaming study panel that unemployment on their Iowa trust lands has declined from 70% to 0% because of Indian casinos and

that 1200 non-Indian jobs have been created on the trust lands to operate their facilities.

All three Indian tribes which operate casinos in Iowa have expressed an interest in discussing options with the State that could be viewed as mutually beneficial. There are two advantages in structuring an arrangement with Iowa's Indian tribes: 1) It offers a unique opportunity to negotiate a state-wide containment of gaming when the State currently have no opportunity to limit amount of gaming on the trust lands. 2) There is the potential for increased revenue to the state.

The panel identified and discussed a number of options available:

1. Close all gaming operations in the State of Iowa
2. Maintain the current legislative structure
3. Raise the limits on riverboats with no slot machines/casinos at the tracks OR slots machines/casinos at the tracks with limits on riverboats unchanged.
4. Allow slot machines at existing pari-mutuel tracks and eliminate limits on riverboats
5. Compact between the State of Iowa and the Indian tribes
6. Video lottery machines/slot machines/off-track betting at taverns, convenience stores and neighborhood location.

The first and sixth options were unanimously rejected by the panel.

Although the sentiment was not unanimous, the majority of the panel believes that maintaining the current legislative structure is not a viable option. Even if the current legislative structure in Iowa remains unchanged, the gaming industry in this state will remain subject to external market influences, legislative amendments in surrounding states, federal legislation, and continued expansion of Indian gaming. It is simply not possible to maintain the status quo.

If the stream of revenue is to be maintained, if the economic development is going to continue, if the agricultural industries which receive their income from the parimutuel tracks are to survive, change in the legislation is required. To do nothing in response to these changing forces insures the demise of the nonprofit sector of the industry and its revenue while the state experiences a continued expansion of gambling in areas over which it has little or no control and from which it receives no revenue.

The argument has been made that the gaming industry should be allowed to fail; the legislature should not be required to insure its success or the success of any business venture. The argument is not persuasive, however, when the gaming businesses in this state do not operate in a free market economy.

The circumstances under which gaming can be conducted in this state are specific and limited. The state does not, however, mandate that farmers plant only corn when the market will only support soybeans; it does not limit the number of acres on the farm which can be used for revenue generation without subsidizing the farmers on whom the restriction is placed; it does not then permit an

environment in which the farmer across the road is free to plant what he wants, where he wants, and as much as he wants to the further economic detriment of his neighbor. It should not be surprising that the farmer whose ability to compete is constrained by state law would then look to the state for relief.

The belief that a decision to maintain the status quo will eliminate the expansion of gambling in this state is misplaced. The state cannot limit the amount of gaming available on the Indian reservations. In the first year of operation, the Winnebago Tribe built and expanded into a thirty thousand square foot facility. The Omaha Tribe and the Mesquaki Tribe are at varying stages of plans for expansion. The Mesquaki Tribe currently has a facility of approximately thirty thousand square feet and is looking to add an additional forty-five thousand square feet of space.

The report submitted to the Gaming Study Panel *Gaming Considerations at Dubuque Greyhound Park*, gives evidence of an unmet market for gambling in this state. The observations and reports of visitors to the Indian gaming facilities confirm the finding of the study. With lines waiting to get into the facility on weekends, it is evident that the market demands more gambling of the type and variety now provided at those operations.

Iowa residents will continue to patronize tribal casinos in Iowa as well as riverboats and casinos in adjacent states.

The challenge is, therefore, to maximize the benefits and limit the negative aspects to the greatest extent possible.

VI. GAMING STUDY RECOMMENDATIONS

The Panel recommends the following:

1. Continued dialogue with the Indian tribes. To date, there has been no one in a position to negotiate proposals with the tribes. The tribes have been left in a position of unilaterally making proposals and waiting for response from a panel which has no authority to proceed.

The Gaming Study Panel recommends that the State appoint a state representative to negotiate options with the Indians which serve the goals of overall containment of gaming in this state, maintenance of jobs and economic development, maintaining the integrity of the games with appropriate regulation and revenue generation.

2. Eliminate the limits currently in place for riverboats including the five-dollar wager, two hundred-dollar loss, thirty percent maximum gaming space restriction and certain cruise limitations in Sections 99F.4, F.7, and F.9 of the Iowa Code. As currently structured, a local referendum is required on the most significant of these changes and should be retained. Iowa Code section 99F.10(c).

3. Tracks should not be required to have more races than they can handle profitably. The legislature should look at providing the flexibility to allow the Racing and Gaming Commission to approve changes in live racing requirements.

Under any option, the tracks must provide some live racing and a portion of their receipts must support purses and the agricultural industries which 99D was designed to create.

4. From the information submitted to the study panel, additional options are required to save the Iowa pari-mutuel racing industry, such as a negotiated relationship with Indian tribes as explained above or the introduction of slot machines at the tracks.

If the legislature and the governor adopt language permitting slot machines at the tracks, the following are two alternatives for consideration for apportionment of revenues:

A. Currently the riverboats pay 20% of their adjusted gross revenues over $3 million to the State. Because the land-based casinos could function with a lower operating cost, the state should receive 8% of adjusted gross revenues up to $1 million, 12% of adjusted gross revenues from $1 to 3 million and 24% of adjusted gross revenues over three million.

B. Alternatively, the revenue distribution as adopted in Rhode Island is an option. In Rhode Island, the legislation provides a distribution of revenue as follows: 38% of adjusted gross to the Lottery, 33% to the track or licensee, 10% to the owners of kennels under contract to the track (no horse tracks in Rhode Island), 18% for operations and communications and the balance to local governments.

If slot machines are installed, the Governor and the legislature should determine whether the pari-mutuel licensees may negotiate with any or all of the Indian tribes, the lottery or private enterprises to provide electronic gaming equipment and services at the facility or forego the installation of the same.

As these and perhaps other alternatives are considered, a study should be undertaken by an objective third party not paid for by any of Iowa's vested gaming interests to make an impartial evaluation of the economic impact of the various alternatives, the economic effect of the change, job creation, retention or displacement, effect on other competing interests such as the hospitality industry, the lottery, the Indian casinos and the riverboats and the net impact on the state.

The gaming issue is a very contentious one among Iowans. Some Iowans feel strongly that gaming is not a desirable industry for their community. Other communities have invested heavily in the gaming industry. These communities depend upon a healthy industry for jobs, economic development, revenue and debt retirement on facilities. Therefore, the panel recommends that changes to allow electronic gaming machines in current pari-mutuel facilities be subject to approval by the voters of those counties in a manner similar to that required in 99F.10(c).

5. Funding of the Gamblers' Assistance Program should be reviewed and increased to meet demonstrated increasing need.

6. The panel recommends the endowment of a research chair funded by gambling taxes for the purpose of ongoing research concerning economic and social effects of gambling on the State of Iowa.

* * *

IN THE IOWA DISTRICT COURT
FOR POLK COUNTY

RACING ASSOCIATION OF CENTRAL IOWA, IOWA GREYHOUND ASSOCIATION, DUBUQUE RACING ASSOCIATION, LTD., and IOWA WEST RACING ASSOCIATION, Plaintiffs, v. MICHAEL FITZGERALD, TREASURER, STATE OF IOWA, - Defendant.	EQUITY NO. 36601 RACETRACK PLAINTIFFS' CROSS-MOTION FOR SUMMARY JUDGMENT (ORAL ARGUMENT REQUESTED)

Pursuant to Iowa Rule of Civil Procedure 237, the Racing Association of Central Iowa d/b/a Prairie Meadows Racetrack and Casino ("RACI"), the Dubuque Racing Association, Ltd. d/b/a Dubuque Greyhound Park & Casino ("DRA"), and Iowa West Racing Association d/b/a Bluffs Run ("IWRA") (collectively "Racetrack Plaintiffs") cross-move for summary judgment and in support thereof state as follows:

1. This case involves a constitutional challenge to the second sentence of Iowa Code § 99F.11, which imposes a discriminatory tax on the adjusted gross revenues from gambling games at racetracks. The adjusted gross revenues from gambling games at racetracks are taxed at a current rate of 28 percent, which will escalate to 36 percent. The adjusted gross revenues from the same

games on excursion gambling boats are taxed at a rate of 20 percent.

2. No legitimate, rational basis supports this distinction, and none of the supposed justifications for the discriminatory tax offered by the Defendant are sufficient. Racetrack Plaintiffs contend that there is no genuine issue of fact that this discriminatory tax violates the U.S. and Iowa constitutional guarantees of equal protection set forth in the Fourteenth Amendment to the U.S. Constitution and Art. 1 § 6 of the Iowa Constitution.

3. Racetrack Plaintiffs are entitled to: (a) a judgment that the discriminatory tax is unenforceable; (b) an injunction against further collection of the tax; and (c) refund of past amounts that have been collected from Racetrack Plaintiffs in excess of the 20 percent rate.

4. In support of this cross-motion, Racetrack Plaintiffs incorporate the accompanying Brief and the accompanying Statement of Undisputed Material Facts In Resistance To Defendant's Motion For Summary Judgment And In Support Of Racetrack Plaintiffs' Cross-Motion For Summary Judgment together with affidavits and exhibits.

5. By stipulation of the parties, oral argument has been scheduled on this cross-motion for October 11, 2000.

WHEREFORE, Racetrack Plaintiffs request that their cross-motion be granted, and that the Court enter a declaratory judgment that the discriminatory tax is unconstitutional, an injunction against future tax collections, and an order requiring refund of past collections in excess of the 20 percent rate levied on the same games on excursion gambling boats.

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IN THE IOWA DISTRICT COURT
FOR POLK COUNTY

RACING ASSOCIATION OF CENTRAL IOWA, IOWA GREYHOUND ASSOCIATION, DUBUQUE RACING ASSOCIATION, LTD., and IOWA WEST RACING ASSOCIATION, Plaintiffs, v. MICHAEL FITZGERALD, TREASURER, STATE OF IOWA, Defendant.	EQUITY NO. 36601 RACETRACK PLAINTIFFS' STATEMENT OF UNDISPUTED MATERIAL FACTS IN RESISTANCE TO DEFENDANT'S MOTION FOR SUMMARY JUDGMENT AND IN SUPPORT OF RACETRACK PLAINTIFFS' CROSS-MOTIONS FOR SUMMARY JUDGMENT

Pursuant to Iowa Rule of Civil Procedure 237(h), the Racing Association of Central Iowa d/b/a Prairie Meadows Racetrack and Casino ("RACI"), the Dubuque Racing Association, Ltd. d/b/a Dubuque Greyhound Park & Casino ("DRA"), and the Iowa West Racing Association d/b/a Bluffs Run ("IWRA") (collectively "Racetrack Plaintiffs") submit the following statement of undisputed material facts:

I. THE PARTIES.

1. Plaintiff RACI is a nonprofit corporation that operates a pari-mutuel racetrack and casino known as Prairie Meadows Racetrack and Casino ("Prairie Meadows")

in Altoona, Iowa, pursuant to Iowa Code chapters 99D and 99F. Farinella Aff. ¶ 2.

2. Plaintiff DRA is a nonprofit corporation that operates a pari-mutuel racetrack and casino known as Dubuque Greyhound Park & Casino ("Dubuque Greyhound Park") in Dubuque, pursuant to Iowa Code chapters 99D and 99F. Hoeger Aff. ¶ 2.

3. Plaintiff IWRA is a nonprofit corporation that holds the gaming license and owns the slot machines for Bluffs Run Racetrack and Casino ("Bluffs Run"), a pari-mutuel racetrack and casino in Council Bluffs, Iowa, pursuant to Iowa Code chapters 99D and 99F. Payne Aff. ¶ 2.

4. Plaintiff Iowa Greyhound Association ("IGA") is an organization of greyhound owners that race at Dubuque Greyhound Park and Bluffs Run and is the entity selected by the Iowa Racing and Gaming Commission to receive and distribute greyhound purses supplements. Hoeger Aff. ¶ 10.

II. THE RACETRACK PLAINTIFFS' PARI-MUTUEL RACING ACTIVITIES AND CONTRIBUTIONS.

5. Prairie Meadows commenced business in 1989 solely as a pari-mutuel horse track. However, it was unable to profitably operate and, in 1991, filed for bankruptcy. Prairie Meadows has consistently lost money on its horse related activities and could not survive without the revenues generated by slot machines. Farinella Aff. ¶¶ 3-4.

6. Dubuque Greyhound Park commenced business in 1985 solely as a pari-mutuel dog track. Its greyhound

operations were increasingly profitable from 1985-1989 and then from 1990-1995, such operations reversed and became increasingly unprofitable, resulting in substantial losses in 1992-1995. Hoeger Aff. ¶ 4. If the DRA had not obtained authorization to operate a casino, the Dubuque Greyhound Park "would long ago have cased operations." Hoeger Aff. ¶ 8.

7. Bluffs Run was on the verge of financial insolvency in 1993 and would not have survived without the slot machine revenues authorized by the 1994 Iowa Legislature. Welch Aff. ¶¶ 3-4; Payne Aff. ¶¶ 3-4.

8. Although the Racetrack Plaintiffs are dependent on slot machine revenues to survive, the Iowa Legislature, in Iowa Code Section 99F.6(4)(a) indicated they should use their slot machine revenues to pay off their debts, supplement horse and dog purses, and for educational, civic, public charitable, patriotic or religious uses as defined in Iowa Code Section 99B.7(3)(b).

9. Each of the Racetrack Plaintiffs continue to lose money on the racing portion of their operations. Farinella Aff. ¶ 21; Hoeger Aff. ¶¶ 4 and 8; Welch Aff. ¶ 10; Payne Aff. ¶ 6.

10. Prairie Meadows has entered into five year agreements with representatives of the Iowa horse industry wherein it has paid and will continue to pay millions of dollars in horse purses and horse purse supplements. Farinella Aff. ¶¶ 5 and 9. Further, Prairie Meadows has constructed various horse-related improvements to its facilities costing millions of dollars to maintain and/or improve the quality of horse racing at Prairie Meadows. Farinella Aff. ¶¶ 6 – 8. In accordance with Iowa Code Section 99F.6(4)(a), Prairie Meadows has distributed over

$186 million to Polk County and over $12 million to various charities from 1995 through 1999. Farinella Aff. ¶ 20.

11. DRA has paid greyhound purse supplements in excess of $6 million from 1995 through 1999. Hoeger Aff. ¶ 12. Further, from 1985 through 1999, DRA has distributed over $7.5 million to charities and over $27.5 million to the City of Dubuque. Hoeger Aff. ¶ 3.

12. From 1996 through 2000, Bluffs Run will have provided approximately $35 million in subsidies from slot machine revenues to Iowa greyhound breeders. Further, during such time period, it estimates that the operating losses from greyhound racing at Bluffs Run is at least $10 million. Payne Aff. ¶ 6. Further, it has made millions of dollars of improvements to its racetrack and facilities. Welch Aff. ¶ 7. Since 1995, and in accordance with Iowa Code Section 99F.6(4)(a), IWRA has given over $45 million to various organizations. Payne Aff. ¶¶ 13-14.

13. Without their slot machine revenues, Racetrack Plaintiffs could not pay the aforesaid purses or make the aforesaid improvements. Farinella Aff. ¶ 12; Payne Aff. ¶ 7; Hoeger Aff. ¶ 8.

14. The costs of operating the racetracks are not, as a group, lower than the costs of operating the riverboats. Farinella Aff. ¶ 11 and Exhibit D thereto; Welch Aff. ¶ 16.

15. The Iowa Racing and Gaming Commission has acknowledged the important, positive impact that the racetracks have contributed to Iowa and its economy. (Exhibit 5 to Brief In Support of Defendant's Motion For Summary Judgment, at pages 7-10) and Farinella Aff. ¶ 13.

16. An independent study prepared in May, 1998 by Ames Economic Associates noted that the Iowa horse industry is a major agriculturally related industry in this state with far reaching impact, and emphasized the importance of Prairie Meadows to such industry. Farinella Aff. ¶ 14 and Exhibit E thereto.

III. THE RIVERBOATS.

17. Unlike the racetracks, the operators of the riverboats are for-profit and are not required to turn over their income for public, civic, charitable purposes, etc. pursuant to Iowa Code Section 99F.6(4)(a). Note: the non-profit "qualified sponsoring organization" holding the riverboat gaming license must comply with the foregoing Code Section, to the extent it receives distributions from the for-profit company which actually operates the riverboat, but the operating company retains the profits.

18. Unlike the racetracks, the riverboats are not required to support a separate industry (horse and dog breeding and racing). Iowa Code Sections 99D.8 and 99F.6(4)(a).

19. Unlike the racetracks, the riverboats may offer table games. Ketterer's Aff. ¶ 12.

IV. THE HISTORY OF THE GAMING TAX DISCREPANCY.

20. In 1994, the Iowa Legislature enacted legislation (H.F. 2179) which (a) legalized slot machines at racetracks, (b) eliminated loss limits at riverboats, and (c) provided for a differential wagering tax on gambling games – i.e., 20 percent of adjusted gross receipts when the games are

conducted at riverboats, but escalating to 36 percent when they are conducted at racetracks. See Flynn's Affidavit with attached legislative history of H.F. 2179.

21. However, prior to commencement of the 1994 session of the Iowa Legislature, a consensus agreement was reached among representatives of the racetrack and riverboat interests, and legislators from the affected areas, which supported (a) slot machines at racetracks, (b) elimination of loss limits at riverboats and (c) the same 20% gaming tax at racetracks and riverboats, all as evidenced by amendment H-5333 to H.F. 2179. Bisignano Aff. ¶¶ 4-5; McCoy Aff. ¶¶ 4-5; Siegrist Aff. ¶¶ 4-5; Gronstal Aff. ¶¶ 4-5.

22. When the legislation reached the Iowa House, Steve Hansen, a representative from Woodbury County, which contained a riverboat (and no racetracks), filed an amendment (H-5391) which established a higher, differential tax (40%) on gambling games at racetracks, which amendment passed. Subsequently, on the same day, he agreed to have his amendment reconsidered so that the highest rate on gambling games at racetracks would be 36 percent rather than 40 percent of adjusted gross receipts, and to provide a two-year moratorium (i.e., until January 1, 1997) for the differential tax rate to take effect in order to give racetrack supporters a chance to repeal the tax disparity in the next General Assembly. H.F. 2179, as so amended, passed the House and Senate. Bisignano Aff. ¶¶ 7-8; McCoy Aff. ¶¶ 7-8; Siegrist Aff. ¶¶ 7-8; Gronstal Aff. ¶¶ 7-8.

23. The Gaming Study Committee never discussed or contemplated a gaming tax disparity of such degree between riverboats and racetracks Kramer. Aff. ¶ 5.

V. NO OTHER STATE HAS SUCH A TAX.

24. In other states in the nation which allow slot machines and/or video lottery terminals, they are taxed for the most part at the same rate regardless of where the machine is located. For example, this is true in Montana, Nevada, Oregon, South Carolina, and South Dakota, which currently allow slot machines and/or video lottery terminals in several different kinds of enterprises. Christiansen Dec. ¶ 2.

25. Louisiana, the only other state besides Iowa that authorizes slot machines on riverboats and at racetracks, has a slightly lower tax rate (18 percent vs. 18.5 percent) for slot machines at racetracks. Christiansen Dec. ¶ 3.

26. No other state has established a tax rate that is 80 percent higher (36 vs. 20 percent) depending on the location of the device. Christiansen Dec. ¶ 4.

27. Moreover, only one state (Illinois) has an adjusted gross receipts tax on gaming revenues that approaches 36 percent. It recently enacted a tax of 35 percent on adjusted gross receipts above $100 million. (This tax will apply to gaming devices on riverboats. Illinois does not allow these devices in other venues.) However, the effective tax rate is much less than 35 percent because of the $100 million floor. Only riverboats in the Chicago area are expected to be subject to the 35% tax. Significantly, there is one riverboat being moved from the Mississippi River to Rosemont (Chicago suburbs). Under the same legislation, such riverboat will have to pay 15 percent of its adjusted gross receipts into a special state fund to support horse racing. Christiansen Dec. ¶ 5.

XI. THE EXTENT OF HIGHER WAGERING TAXES PAID BY RACETRACKS.

28. Pursuant to Iowa Code Section 99F.11, the adjusted gross receipts from gambling games generated by Iowa riverboats were taxed for calendar years 1997-1999, at the fixed rate of 20%, and for calendar year 2000 and beyond, will continue to be taxed at the fixed rate of 20%.

29. Pursuant to Section 99F.11, the adjusted gross receipts from gambling games generated by the racetracks were taxed at the rate of 22% for the 1997 calendar year, 24% for the 1998 calendar year, 26% for the 1999 calendar year and are being taxed at the rate of 28% for the 2000 calendar year. For the 2001 calendar year, such tax rate shall increase to 30%, and shall increase by 2% each succeeding calendar year thereafter until the rate reaches 36%. Iowa Code § 99F.11.

30. (a) For the 1997 calendar year, Prairie Meadows' adjusted gross receipts were $127,359,259 for which Prairie Meadows paid a 22% wagering tax totaling $27,609,036, which was $2,487,185 more than Prairie Meadows would have paid at 20% if it were an riverboat.

(b) For the 1998 calendar year, Prairie Meadows' adjusted gross receipts were $129,685,257, for which Prairie Meadows paid a 24% wagering tax totaling $30,654,461, which was $5,067,410 more than Prairie Meadows would have paid at 20% if it were an riverboat.

(c) For the 1999 calendar year, Prairie Meadows' adjusted gross receipts were $149,453,670 for which Prairie Meadows paid a 26% wagering tax totaling $38,327,954, which was $8,787,220 more

than Prairie Meadows would have paid at 20% if it were a riverboat.

Accordingly, for calendar years 1997-1999, Prairie Meadows has paid a total of $16,341,815 in wagering taxes more than it would have paid had its adjusted gross receipts been taxed at 20% as were such receipts for Iowa riverboats. Farinella Aff. ¶ 17. If Prairie Meadows' gross receipts for calendar years 2000, 2001 and 2002 remain the same as for calendar year 1999, it will pay $43,936,101 more in wagering taxes for such years than if it were a riverboat taxed at 20%. Farinella Aff. ¶ 19.

31. (a) For the 1997 calendar year, DRA's adjusted gross receipts were $25,840,008, for which DRA paid a 22% wagering tax totaling $5,274,802, which was $456,800 more than DRA would have paid at 20% if it were a riverboat.

(b) For the 1998 calendar year, DRA's adjusted gross receipts were $29,379,819, for which DRA paid a 24% wagering tax totaling $6,581,157, which was $1,055,193 more than DRA would have paid at 20% if it were a riverboat.

(c) For the 1999 calendar year, DRA's adjusted gross receipts were $33,775,722 for which DRA paid a 26% wagering tax totaling $8,251,688, which was $1,846,544 more than DRA would have paid at 20% if it were a riverboat.

Accordingly, for calendar years 1997-1999, DRA has paid a total of $3,358,537 in wagering taxes more than it would have paid had its adjusted gross receipts been taxed at 20% as were such receipts for Iowa riverboats. Hoeger's Aff. Exhibit B. If DRA's gross receipts for calendar years 2000, 2001 and 2002 remain the same as for calendar year 1999, it will pay $9,232,718 more in wagering taxes for

such years than if it were a riverboat taxed at 20%. Hoeger's Aff. Exhibit B.

32. (a) For the 1997 calendar year, IWRA's adjusted gross receipts were $101,780,211, for which IWRA paid a 22% wagering tax totaling $21,981,646, which was $1,975,604 more than IWRA would have paid at 20% if it were an riverboat.

(b) For the 1998 calendar year, IWRA's adjusted gross receipts were $108,539,933, for which IWRA paid a 24% wagering tax totaling $25,579,584, which was $4,221,597 more than IWRA would have paid at 20% if it were an riverboat.

(c) For the 1999 calendar year, IWRA's adjusted gross receipts were $113,556,760 for which IWRA paid a 26% wagering tax totaling $28,994,758, which was $6,633,406 more than IWRA would have paid at 20% if it were a riverboat.

Accordingly, for calendar years 1997-1999, IWRA has paid a total of $12,830,607 in wagering taxes more than it would have paid had its adjusted gross receipts been taxed at 20% as were such receipts for Iowa riverboats. Payne's Aff. ¶ 9. If IWRA's gross receipts for calendar years 2000, 2001 and 2002 remain the same as for calendar year 1999, it will pay $36,000,000 more in wagering taxes for such years than if it were a riverboat taxed at 20%. Payne's Aff. ¶ 12.

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IN THE IOWA DISTRICT COURT
FOR POLK COUNTY

RACING ASSOCIATION OF CENTRAL IOWA, Plaintiff, v. MICHAEL FITZGERALD, TREASURER, STATE OF IOWA, Defendant.	EQUITY NO. 36601 AFFIDAVIT OF ROBERT FARINELLA

STATE OF IOWA)
) SS:
COUNTY OF POLK)

I, Robert Farinella, being first duly sworn, state under oath:

1. I have personal knowledge of the following facts and would so testify if called as a witness.

2. I am employed as President, Chief Executive Officer and General Manager of the Racing Association of Central Iowa, an Iowa not-for-profit company with its principal place of business in Altoona, Polk County, Iowa, doing business as Prairie Meadows Racetrack and Casino ("Prairie Meadows"). Prairier Meadows operates a pari-mutuel racetrack and casino facility in Altoona, licensed pursuant to Iowa Code Chapters 99D and 99F.

3. Prairie Meadows commenced business on March 1, 1989 solely as a pari-mutuel horse track. As a horse track it was unable to profitably operate and on November

27, 1991, filed a Chapter 11 bankruptcy in the Bankruptcy Court for the Southern District of Iowa. Prairie Meadows emerged from bankruptcy in May, 1993 pursuant to a confirmed plan of reorganization but continued to lose money in 1993 and 1994. Since Prairie Meadows commenced business on March 1, 1989 and continuing through the date of this affidavit, it has consistently lost money on its horse related activities.

4. Without the revenues generated by the slot machines authorized by the 1994 Iowa Legislature and implemented at Prairie Meadows on April 1, 1995, Prairie Meadows would not have survived.

5. Although Prairie Meadows' survival is dependent on its slot machine revenues, its primary legislative purpose is to grow and nurture the Iowa horse industry. In that regard, on September 24, 1997, it entered into a certain Five Year Agreement Re Horse Purses ("Purse Agreement") with the Iowa Division of the Horsemen's Benevolent and Protective Association, Inc. and the Iowa Quarter Horse Racing Enterprise, Inc., as representatives of the Iowa thoroughbred and quarter horse industries, a copy of which is attached hereto as Exhibit A, wherein Prairie Meadows agreed to pay the following purses:

	1998	1999	2000	2001	2002
Purses:	$10,312,521	11,849,902	$13,653,246	$15,052,704	$16,595,606
Iowa Supplements:	2,062,504	2,369,980	2,730,649	3,010,541	3,319,121
Total Purses and Supplements	$12,375,025	$14,219,882	$16,383,895	$18,063,244	$19,914,727

6. As noted in Paragraph 2 of such Purse Agreement, Prairie Meadows also committed to make certain improvements to its facilities (which facilities are leased from Polk County) to construct a training track, a turf track, two barns, a viewing stand, a new starting gate, a horse pavilion, and dormitory facilities, all of which were deemed essential to maintain and/or improve the quality of horse racing at Prairie Meadows.

7. Since execution of the Purse Agreement, Prairie Meadows has constructed the following horse-related improvements at its facilities:

Improvement	Cost
Training Track	1,570,677
Horse Barns	1,226,379
Viewing Stand	41,572
Dormitory	1,022,148
Horse Walkers	$196,270
Video/Tote Board	$1,749,186

Further, pursuant to a certain First Amendment to the Purse Agreement dated December 31, 1999, a copy of which is attached hereto as Exhibit B, Prairie Meadows has agreed to make additional horse-related improvements as follows:

Improvement	Year of Construction	Estimated Cost
Turf Track	2003	$6,000,000
Jockeys' Quarters & Paddock	2003	2,000,000
Three Dormitories	2003, 2005 and 2006	5,000,000
Horse Pavilion	2005	1,250,000
Starting Gate	2005	60,000

8. The foregoing improvements are in addition to the racetrack, horse barns, paddock, administration building and other horse-related fixtures which were constructed with the original facility and which are required to be continually maintained, repaired, replaced and/or up-graded.

9. In addition to the Purse Agreement, on January 12, 1998, Prairie Meadows entered into a certain Five Year Agreement With Iowa Harness Horsemen's Association ("IHHA Agreement"), as representatives of the Iowa standard bred industry, a copy of which is attached hereto as Exhibit C, wherein Prairie Meadows agreed to pay the following purses:

	1998	**1999**	**2000**	**2001**	**2002**
County or State Fair Purses, etc.	$600,000	$620,000	$750,000	$750,000	$750,000
Purses at Prairie Meadows	-0-	$180,000	$600,000	$600,000	$600,000

10. All of the foregoing purses and horse-related items, and the costs for construction, maintenance, repair, replacement and/or up-grade of same, are unique to Prairie Meadows and not shared by riverboats.

11. As noted by Exhibit D attached hereto, entitled "Operating Expenses As A Percentage of Net Revenues", which was prepared by Prairie Meadows based on financial reports submitted to the Iowa Racing and Gaming Commission for the calendar years 1991-1994 by the then licensed Iowa riverboats and racetracks, the costs of

operating the racetracks are not, as a group, lower than the costs of operating the riverboats.

12, Without its slot machine revenues, Prairie Meadows could not pay the aforesaid horse purses or make the aforesaid horse-related improvements.

13. The 1992 annual report submitted by the Iowa Racing and Gaming Commission to the Governor (Exhibit 5 to the Brief In Support of Defendant's Motion For Summary Judgment) noted the following:

- substantial amounts have been paid by the Iowa racetracks to trainers, jockeys, kennel operators and owners of racing animals. (Page 7).
- The purses paid have an impact throughout Iowa as the money is filtered to rural Iowa to pay for the feed, the kennels, the veterinary supplies, the bedding, the supplies and other services needed by the industry. (Page 7)
- According to a release from the Department of Agriculture and Land Stewardship dated March 1, 1990, the "breeding, raising and training of race horses is a $50 million industry in Iowa" (Page 8)
- As a direct result of the pari-mutuel industry in Iowa and the expertise developed at Iowa State University in response to that industry need, Iowa State University has become the acknowledged leader in racing chemistry. (Pages 9 and 10).
- The pari-mutuel industry is an industry in crisis. (Page 16).

14. Attached hereto and marked Exhibit E is a report prepared in May, 1998 (and without regard to this litigation) by Ames Economic Associates entitled *The Economic Impacts of the Iowa Horse Industry and of Prairie Meadows Live Racing Activities* which states in pertinent part the following:

- On an annual basis, horse racing and breeding, along with horse racing tourism, account for $57.45 million in direct sales and 763 jobs in Iowa. (Unnumbered first page captioned "Overview of Results").
- The Iowa horse industry is a major agriculturally related industry in the state supporting traditional agriculture with purchases of hay and feed grain supplies. Horse owners generate considerable economic impacts, as well, through their investments in facilities and supplies that support their professional and recreational uses of horses. (Page 1).
- Horse purses paid by Prairie Meadows help to support the state horse industry and its affiliated services, which in turn stimulates additional spending and impacts the remainder of the state economy. (Pages 14 and 15).
- The horse purses paid by Prairie Meadows represent an important revenue source for a significant portion of the Iowa horse industry. (Page 11). Were the track not in existence, the viability of this component of the Iowa horse industry would decline. (Page 10).
- Iowa horse owners spent an estimated $47.65 million on horse related activities in 1997. (Page 7)

- In addition to these agriculturally based and horse industry related expenditures, income earned by workers in these activities is spent on consumer services and main street businesses, thereby stimulating other sectors in the state's economy. (Page 8).
- Overall, an estimated $112.32 million of gross sales or output in the (Iowa) economy is related to the horse industry. (Pages 9-10).
- In 1997, Prairie Meadows, from its horse racing activities, and without including horse purses paid, generated an estimated $5.2 million in employment compensation, $8.39 million in total income and $10.79 in total value added benefits. (Pages 11-12).
- Horse racing activities at Prairie Meadows provide a major tourism attraction in central Iowa and draw substantial visitors from surrounding regions as well as provide a major entertainment activity for Des Moines (Page 13-14).

15. Pursuant to Iowa Code Section 99F.11, as amended by the Iowa Legislature in 1994, the adjusted gross receipts from gambling games generated at Prairie Meadows have been taxed at the rate of 22% for the 1997 calendar year, 24% for the 1998 calendar year and 26% for the 1999 calendar year. For the 2000 calendar year, the adjusted gross receipts are being taxed at the rate of 28%, which tax rate will increase by 2% for each succeeding calendar year thereafter until the rate reaches 36%. Iowa Code Section 99F.1(1) defines "adjusted gross receipts" of a licensee as the "gross receipts less winnings paid to wagerers."

16. Pursuant to Iowa Code Section 99F.11, the adjusted gross receipts from gambling games generated by Iowa riverboats were taxed for calendar years 1997-1999, at the fixed rate of 20%, and for calendar year 2000 and beyond, will continue to be taxed at the fixed rate of 20%.

17. (a) For the 1997 calendar year, Prairie Meadows' adjusted gross receipts were $127,359,259, for which Prairie Meadows paid a 22% wagering tax totaling $27,609,036, which was $2,487,185 more than Prairie Meadows would have paid at 20% if it were a riverboat.

(b) For the 1998 calendar year, Prairie Meadows' adjusted gross receipts were $129,685,257, for which Prairie Meadows paid a 24% wagering tax totaling $30,654,461, which was $5,067,410 more than Prairie Meadows would have paid at 20% if it were a riverboat.

(c) For the 1999 calendar year, Prairie Meadows' adjusted gross receipts were $149,453,670 for which Prairie Meadows paid a 26% wagering tax totaling $38,327,954, which was $8,787,220 more than Prairie Meadows would have paid at 20% if it were a riverboat.

Accordingly, for calendar years 1997-1999, Prairie Meadows has paid a total of $16,341,815 in wagering taxes more than it would have paid had its adjusted gross receipts been taxed at 20% as were such receipts for Iowa riverboats.

18. For the 2000 calendar year, Prairie Meadows' adjusted gross receipts through June 30, 2000 were $70,926,260 for which Prairie Meadows has paid a 28% wagering tax of $19,859,353, which is $5,674,101 more

than Prairie Meadows would have paid at 20% if it were a riverboat.

19. if Prairie Meadow's gross receipts for calendar years 2000, 2001, 2002 remain the same as for calendar year 1999 ($149,453,670), Prairie Meadows will pay $43,936,101 more in wagering taxes for such years than if it were a riverboat taxed at 20%, to-wit:

Year	Estimated Adjusted Gross Receipts	Rate	Estimated Wagering Tax	Wagering Tax If Capped @20%	Difference
2000	$149,453,670	28%	$41,257,028	$29,540,734	$11,716,294
2001	149,453,670	30%	44,186,101	29,540,734	14,645,367
2002	149,453,670	32%	47,115,174	29,540,734	17,574,440
				TOTAL:	$43,936,101

20. As a non-profit corporation, and pursuant to Section 99F.6(4)(a) of the Iowa Code, Prairie Meadows is required to distribute its profits "for educational, civic, public, charitable, patriotic, or religious uses as defined in Section 99B.7, subsection 3, paragraph 'b'". In accordance therewith, Prairie Meadows has made the following distributions to Polk County and various charities since it became profitable in 1995:

	1995	1996	1997	1998	1999	Totals
Polk County	$48,058,881	57,817,000	9,200,000	16,484,788	14,475,000	$186,035,669
Charities	43,543	312,610	3,000,000	4,550,000	4,537,063	12,443,216

As a direct result of the escalating gaming tax, Prairie Meadows' profits are substantially shrinking such that by the 2003 calendar year, when the gaming tax is 34%, and by the 2004 calendar year and beyond, when the gaming tax is 36%, it will have little or no profits to distribute. Accordingly, its ability to grow and support the Iowa horse industry, as well as its ability to make distributions to Polk County and charities, will be adversely impacted. Conversely, if Prairie Meadows' adjusted gross receipts were taxed at 20% during such periods, it would have millions of dollars of profits to distribute to Polk County and charities.

21. The gaming/entertainment industry is extremely competitive in Iowa and Prairie Meadows competes for customers with the Iowa riverboats. The Iowa Legislature and the Iowa Racing and Gaming Commission have charged Prairie Meadows with growing the Iowa horse industry. As evidenced above, Prairie Meadows, through its commitment to increase horse purses and make horse-related improvements to its facilities, is attempting to be responsive to such charge. Prairie Meadows loses money on its horse-related activities. The Riverboats are not required to support or grow any industry. The riverboats' operating costs as a percentage to revenues are no greater than the racetracks' operating costs. Prairie Meadows cannot pass on to its patrons the additional gaming taxes it is required to pay and remain competitive with the riverboats. Thus, Prairie Meadows is competitively disadvantaged by the disparate and escalating gaming tax.

/s/ Robert Farinella
Robert Farinella

On this 27th day of July, 2000 before me, a Notary Public, personally appeared Robert Farinella, to me known

to be the person named in and who executed the foregoing instrument, and acknowledged that Robert Farinella executed the same as his voluntary act and deed.

/s/ Mary L. Morrell
Notary Public in the
State of Iowa 5/14/2002

EXHIBIT D

Operating Expenses As A Percentage Of Net Revenues

	1994	1993	1992	1991	AVE%:
Prairie Meadows	91.6	85.0	66.7	92.1	83.9
Bluffs Run	84.4	70.4	65.1	57.8	69.4
Dubuque Greyhound	68.9	92.0	57.5	45.2	65.9
Mississippi Belle II	37.4	60.3	60.3	63.9	55.5
The President	52.0	75.5	71.4	na	66.3
Dubuque Belle	na	51.9	48.7	38.5	46.4
Diamond Jo	58.1	na	na	na	58.1
Catfish Bend	78.0	na	na	na	78.0
Belle of Sioux City	70.1	na	na	na	70.1

IN THE IOWA DISTRICT COURT
FOR POLK COUNTY

RACING ASSOCIATION OF CENTRAL IOWA, IOWA GREYHOUND ASSOCIATION, and DUBUQUE RACING ASSOCIATION, LTD.,	)	
Plaintiffs,	)	
v.	)	EQUITY NO. 36601
MICHAEL FITZGERALD, TREASURER, STATE OF IOWA, and GERALD BAIR, DIRECTOR OF IOWA DEPARTMENT OF REVENUE AND FINANCE,	)	
Defendants.	)	

AFFIDAVIT OF ROGER HOEGER

STATE OF IOWA)
) ss
COUNTY OF DUBUQUE)

The undersigned, being first duly sworn upon oath, deposes and states as follows:

1. I am the Comptroller and Assistant General Manager of the Plaintiff, Dubuque Racing Association, Ltd. ("DRA"). I have been employed with DRA as its Comptroller since March 1985. I regularly assemble and report financial information on DRA's operations, including revenues and taxes for both the dog racing and casino operations. I have personal knowledge of the matters set forth below.

2. DRA is an Iowa not-for-profit corporation formed pursuant to Chapters 99D and 99F of the Iowa Code. DRA is a tax-exempt organization pursuant to section 501(c)(4) of the Internal Revenue Code. DRA's principal place of business is Dubuque Greyhound Park & Casino in Dubuque, Iowa.

3. DRA was established as a non-profit pari-mutuel dog racing licensee in 1984; pursuant to the enacting legislation (Iowa Code Chapter 99D), proceeds of DRA's operations must be distributed to tax exempt charitable organizations and local government. From 1985 through 1999, DRA has 1) distributed $7,591,500 to charities (no contributions were made during the years 1989-1991 and 1993-1994 because of financial exigencies); 2) paid rents and other sums pursuant to state law or contract to the City of Dubuque of $27,649,279; 3) paid taxes to Dubuque County of $2,910,705; 4) paid taxes to and fees to the State of Iowa of $48,381,037; and 5) paid purses to greyhound kennels and dog owners of $22,318,641. As of July 31, 1999, DRA employed 386 people. The total 1999 payroll, including benefits, was $6,808,871. Dubuque Greyhound Park & Casino is a significant source of tourism for Dubuque, drawing substantial numbers of patrons from southwestern Wisconsin and Northern Illinois as well as Iowa.

4. Pari-mutuel dog racing generated significant revenues in its first few years of operations, but the pari-mutuel dog racing industry in Iowa declined drastically in the late 1980s. As shown in the Schedule of Greyhound

Operations-Income (Loss), attached as Exhibit "A",[1] greyhound operations generated increasing net income from inception in 1985 through 1989; in 1990 through 1991, pari-mutuel dog racing income declined drastically and, from 1992 through 1995, generated ever increasing losses. Losses from pari-mutuel dog racing at Dubuque Greyhound Park in 1995 exceed two and one-quarter million dollars. Apparent losses improved after 1995, but this was due primarily to accounting changes that charged all non-direct operating costs of the combined facility to casino operations. The horse racing operation at Prairie Meadows experienced similar problems.

5. In 1989, the Iowa legislature authorized riverboat gambling. Riverboat casinos were authorized to operate "gambling games" of skill (*e.g.*, card games) or of chance (such as slot machines or roulette). Riverboat operations are for-profit entities which are required to be co-sponsored by a qualified non-profit organization. 1989 Iowa Acts Chapter 67; Iowa Code Chapter 99F. Since legislative amendments lifted various restrictions on the amounts that could be wagered or lost on riverboat casinos, and eliminated most of the cruising requirements, riverboat gambling in Iowa has been extremely profitable. The tax imposed on slot machine revenues on riverboat casinos was originally set at 20% for adjusted gross receipts in excess of three million dollars and has never changed.

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[1] All figures used on Exhibits "A," "B", and "C" are based on DRA's fiscal year, which runs from December 1 through November 30.

6. In an effort to salvage Iowa's racing operations and the Iowa dog- and horse-breeding industries that depended on them, the Iowa legislature in 1994 approved amendments to Chapter 99F that permitted licensed pari-mutuel operations to operate "gambling games" that were games of chance (*i.e.*, slot machines) inside their racing facilities, in order to make the operations financially viable and capable of carrying out their original legislative purposes. 1994 Iowa Acts, Chapter 1021, §§ 13, 15; Iowa Code §§ 99F.4A, 99F.6(4).

7. DRA sought and obtained a license to operate a land-based casino. The DRA casino commenced operation in November 1995, and the combined facility is now known as Dubuque Greyhound Park & Casino.

8. The pari-mutuel dog racing component of Dubuque Greyhound Park & Casino's operations has generated losses continually since 1992. The net losses resulting from pari-mutuel dog racing since 1992, taking into account only the *direct* operating costs of dog racing (such as pari-mutuel employment, dog kennels, Totalizator system, television monitors, lure rental, photo finish system, maintenance and depreciation on the oval track, etc.) have totaled $7,236,429 (see Exhibit "A"); this figure would be much higher if other costs (such as building and parking lot rental from the City of Dubuque, depreciation on construction bonds, and administrative overhead) were allocated to pari-mutuel racing operations; this loss figure also does *not* include the racing purse supplements that DRA is required to pay from casino revenues. If DRA had not obtained authorization to operate a casino, DRA would long ago have ceased operations. The viability of DRA is entirely dependent on its revenues from the casino side of the operation; the pari-mutuel dog racing operation is, in

terms of DRA's economics, a substantial cost of having a casino license.

9. Iowa Code section 99F.1(1) defines "adjusted gross receipts" from gambling games as the "gross receipts less winnings paid to wagerers." Pursuant to Iowa Code section 99F.11, as amended, the adjusted gross receipts in excess of three million dollars from the casino gambling games operated by DRA and other pari-mutuel racing licensees were taxed at the rate of 22% for calendar year 1997, 24% for calendar year 1998, and 26% for calendar year 1999. For the 2000 calendar year, the adjusted gross receipts (in excess of three million dollars) are being taxed at the rate of 28%, and the tax rate will increase by 2% for each succeeding calendar year thereafter until the rate reaches 36% of adjusted gross receipts.

10. Pursuant to Iowa Code section 99F.11, the adjusted gross receipts (over $3,000,000) from gambling games generated by Iowa riverboats were taxed from the inception of riverboat gambling to the present at the same rate: 20%. Nor are there any scheduled statutory increases in the tax rate applicable to adjusted gross receipts from gambling games for riverboats beyond the 20% rate that has always applied to them.

11. The table attached hereto as Exhibit "B" summarizes the financial impacts of the two percent annual increases in the gaming tax applicable to DRA's adjusted gross receipts from gambling games, compared to the results using the constant 20% tax applicable to adjusted gross receipts of riverboat casinos, for the years 1997 through 2004. The "Win" and the gaming tax for the calendar years of 1997 through 1999 are based on historical data, while results for the period 2000 through 2004

are based on the 1999 "Win". The table shows that excess gaming tax paid by Dubuque Greyhound & Casino as compared to riverboat casinos on an annual basis has ranged from $456,800 to $4,924,116 for the years 1997 through 2004; the total of excess gaming taxes for the period exceeds $21,800,000.

12. In addition to the direct costs of pari-mutuel dog racing, DRA is also required by statute to contribute a negotiated percentage (subject to mandatory arbitration) of its adjusted gross receipts from casino operations to supplement purses of live dog races, in order to further the primary legislative purpose of the pari-mutuel dog racing industry, namely, the "the development and promotion of Iowa greyhound racing dogs in this state." Iowa Code sec. 99F.6(4)(b), 99D.12. This percentage, like the taxes on adjusted gross receipts from casino operations, is a percentage of adjusted gross revenues (after gaming taxes are deducted), not of net revenues of the casino operation or of the facility as a whole. The "Schedule of Casino Purse Supplements" attached hereto as Exhibit "C" shows the amounts DRA has paid from its adjusted gross receipts from casino operations to supplement purses for live pari-mutuel dog races pursuant to agreements negotiated with the Iowa Greyhound Association, the entity selected by the Iowa Racing and Gaming Commission for such purpose under sec. 99F.6(4)(b) . The supplements paid by DRA from 1995 through 1999 for pari-mutuel racing from casino revenues totals $6,409,756. As noted previously (see ¶ 6, above), the purse supplements are on top of the losses from direct costs of pari-mutuel dog racing.

13. DRA competes with Indian casinos in Iowa and Wisconsin; with Iowa and Illinois riverboat casinos; and with horse and dog racing in Illinois and Wisconsin. DRA

faces the threat of additional casinos in Wisconsin and Illinois on a recurring basis, as most recently shown in the attached article from the Dubuque *Telegraph-Herald* from July 28, 2000 about a proposed Indian casino in Darlington, Wisconsin, approximately 45 miles from Dubuque.

14. DRA competes directly with Iowa riverboat gambling operations but pays substantially higher taxes on gross revenues from those operations than the competing riverboat operations; in addition to the much higher taxes paid to the State as a result of DRA's status as a pari-mutuel licensee, DRA is required to pay an additional portion of those same adjusted gross receipts as supplements for live races. At some point the combination of the higher gaming taxes on gross receipts, coupled with market maturity, will likely result in a loss on casino operations, which combined with the present losses in greyhound operations would bring about inevitable closure of the facility and the loss of the substantial economic and employment benefits that DRA provides, not only in the local community but to the State of Iowa as well.

/s/ Roger Hoeger
Roger Hoeger

Subscribed and sworn to before me this 31st day of July, 2000.

/s/ Cathy J. Dillon
Notary Public

My Commission Expires:
April 25, 2003

[Certificate Of Service Omitted In Printing]

Schedule of Greyhound Operations Income (Loss)	
Year	
1985	$452,204
1986	$2,214,931
1987	$1,947,508
1988	$2,488,188
1989	$2,738,093
1990	$883,770
1991	$250,449
1992	$(650,729)
1993	$(1,499,930)
1994	$(1,420,651)
1995	$(2,296,042)
1996	$(163,489)
1997	$(317,232)
1998	$(375,333)
1999	$(513,023)

Notes to User:
All figures based on DRA fiscal year, Dec. 1- Nov. 30
1) Casino Operations commenced November 22, 1995.
2) The Greyhound Operations reflect direct revenue and expenses; the operation is not allocated shared overhead expenses.

EXHIBIT "A"

Year	Actual/Proj. Win	Rate	Actual/Proj. Wagering Tax	If Capped @ 20%	Annual Difference	Cumulative Difference
1997	$25,840,008	22%	$5,274,802	$4,818,002	$456,800	$456,800
1998	$29,379,819	24%	$6,581,157	$5,525,964	$1,055,193	$1,511,993
1999	$33,775,722	26%	$8,251,688	$6,405,144	$1,846,544	$3,358,537
2000	$33,775,722	28%	$8,867,202	$6,405,144	$2,462,058	$5,820,595
2001	$33,775,722	30%	$9,482,717	$6,405,144	$3,077,573	$8,898,168
2002	$33,775,722	32%	$10,098,231	$6,405,144	$3,693,087	$12,591,255
2003	$33,775,722	34%	$10,713,745	$6,405,144	$4,308,601	$16,899,856
2004	$33,775,722	36%	$11,329,260	$6,405,144	$4,924,116	$21,823,972

All figures based on DRA fiscal year, Dec. 1- Nov. 30

EXHIBIT "B"

Schedule of Casino Purse Supplements	
Year	
1995	$22,183
1996	$1,201,529
1997	$1,431,085
1998	$1,701,045
1999	$2,053,914
Note to User:	
All figures based on DRA fiscal year, Dec. 1- Nov. 30	
Casino Operations commenced November 22, 1995.	

EXHIBIT "C"

IN THE IOWA DISTRICT COURT
FOR POLK COUNTY

RACING ASSOCIATION OF CENTRAL IOWA, Plaintiff, DUBUQUE RACING ASSOCIATION, IOWA GREYHOUND ASSOCIATION, IOWA WEST RACING ASSOCIATION, Intervenors, v. MICHAEL FITZGERALD, TREASURER, STATE OF IOWA, Defendant.	EQUITY NO. 36601 AFFIDAVIT OF ANTHONY PAYNE

STATE OF IOWA)
) ss:
COUNTY OF POTTAWATTAMIE)

I, Anthony Payne, being first duly sworn, state under oath:

1. I have personal knowledge of the following facts and would so testify if called as a witness:

2. I am employed as Executive Director of the Iowa West Racing Association, an Iowa not-for-profit company with its principal place of business in Council Bluffs, Iowa, and which is the license-holder for Bluffs Run Racetrack and Casino ("Bluffs Run"). Bluffs Run operates a pari-mutuel racetrack and casino facility in Council Bluffs,

Iowa, licensed pursuant to Iowa Code Chapters 99D and 99F.

3. In 1993 Bluffs Run was on the verge of financial insolvency.

4. Without the revenues generated by the slot machines authorized by the 1994 Iowa Legislature and implemented at Bluffs Run in 1995, Bluffs Run would not have survived.

5. Although Bluffs Run's survival is dependent on its slot machine revenues, it has other legislative purposes, including educational, civic, charitable, tourism development, creation of jobs, creation of construction projects, and agriculture. Bluffs Run's agricultural purpose is to assist the development of the greyhound breeding industry.

6. From 1996 to the end of 2000 Bluffs Run will have subsidized the Iowa greyhound breeders from slot machine proceeds, exclusive of net operating losses, in an amount approximating $35 million. Further, during this same time period it is estimated that the operating losses from greyhound racing for Bluffs Run is at least an additional $10 million.

7. Without its slot machine revenues, Bluffs Run could not pay the above greyhound purses.

8. Pursuant to Iowa Code Section 99F.11, as amended by the Iowa Legislature in 1994, the adjusted gross receipts from gambling games generated at Bluffs Run have been taxed at the rate of 22% for the 1997 calendar year, 24% for the 1998 calendar year and 26% for the 1999 calendar year. For the 2000 calendar year, the adjusted gross receipts are being taxed at the rate of 28%,

which tax will increase by 2% for each succeeding calendar year thereafter until the rate reaches 36%. Iowa Code Section 99F.1(1) defines "adjusted gross receipts" of a licensee as the "gross receipts less winnings paid to wagerers."

9. Pursuant to Iowa Code Section 99F.11, the adjusted gross receipts from gambling games generated by Iowa riverboats were taxed for calendar years 1997-1999, at the fixed rate of 20%, and for calendar year 2000 and beyond, will continue to be taxed at the fixed rate of 20%.

10. (a) For the 1997 calendar year, Bluffs Run's adjusted gross receipts were $101,780,211 for which Bluffs Run paid a 22% wagering tax totaling $21,981,646, which was $1,975,604 more than Bluffs Run would have paid at 20% if it were a riverboat.

(b) For the 1998 calendar year, Bluffs Run's adjusted gross receipts were $108,539,933 for which Bluffs Run paid a 24% wagering tax totaling $25,579,584, which was $4,221,597 more than Bluffs Run would have paid at 20% if it were a riverboat.

(c) For the 1999 calendar year, Bluffs Run's adjusted gross receipts were $113,556,760 for which Bluffs Run paid a 26% wagering tax totaling $28,994,758, which was $6,633,406 more than Bluffs Run would have paid at 20% if it were a riverboat.

Accordingly, for calendar years 1997-1999, Bluffs Run has paid a total of $12,830,607 in wagering taxes more than it would have paid had its adjusted gross receipts been taxed at 20% as were such receipts for Iowa riverboats. This is in addition to the over $45 million paid to support greyhound racing at Bluffs Run.

11. For the calendar year, Bluffs Run's adjusted gross receipts through June 30, 2000 were $61,350,894 for which Bluffs Run had paid a 28% wagering tax of $16,588,250, which is $4,668,071 more than Bluffs Run would have paid at 20% if it were a riverboat.

12. If Bluffs Run's gross receipts for calendar years 2000-2004 remain the same as for estimated calendar year 2000 ($123,000,000), Bluffs Run will pay $72,000,000 more in wagering taxes for such years than if it were a riverboat taxed at 20%, to-wit:

Year	Estimated Adjusted Gross Receipts	Rate	Estimated Wagering Tax	Wagering Tax If Capped @ 20%	Difference
2000	$123,000,000	28%	$33,850,000	$24,250,000	$9,600,000
2001	"	30%	$36,250,000	"	$12,000,000
2002	"	32%	$38,650,000	"	$14,400,000
2003	"	34%	$41,050,000	"	$16,800,000
2004	"	36%	$43,450,000	"	$19,200,000
				TOTAL:	$72,000,000

13. As a non-profit corporation, and pursuant to Section 99F.6(4)(a) of the Iowa Code, Bluffs Run is required to distribute its profits for "educational, civic, public, charitable, patriotic, or religious uses as defined in Section 99B.7, subsection 3, paragraph 'b'". In accordance therewith, Bluffs Run donates all of its profits to the Iowa West Racing Association, which in turn donates its profits to the Iowa West Foundation. The Iowa West Foundation has made the following distributions to various charities since 1995.

1995 – $2,653,663
1996 – $7,184,827
1997 – $8,945,705

1998 – $10,380,144
1999 – $10,786,016
Spring 2000 – $5,110,215

Since 1995 Iowa West Foundation has given $45,060,570 to various educational, civic and charitable organizations for the betterment of the citizens and communities of southwestern Iowa. These counties include Monona, Crawford, Carroll, Harrison, Shelby, Audubon, Pottawattamie, Cass, Mills, Montgomery, Adams, Fremont, Page and Taylor. Iowa West Foundation has also given grants and gifts to the communities of Urbandale, Des Moines and Creston, Iowa.

14. Exhibits 1, 2 and 3 set forth a number of the charities, civic and educational organizations that the Iowa West Foundation has made charitable contributions to in the thirteen county area near Bluffs Run.

15. The gaming/entertainment industry is extremely competitive in Iowa and Bluffs Run competes for customers with the Iowa riverboats. The Iowa Legislature and the Iowa Racing and Gaming Commission have charged Bluffs Run with assisting various activities within the state such as civic, educational, and charitable organizations along with aiding tourism, creating jobs and providing new construction and assisting the Iowa greyhound industry. As evidenced above, Bluffs Run, through its grants, charitable contributions and purses for the Iowa greyhound breeders is attempting to be responsive to such charge. Bluffs Run loses money on its greyhound-related activities. For the calendar year ending June 30, 2000 losses from greyhound racing are in excess of $3 million. These losses will continue. Bluffs Run cannot pass onto its patrons the additional gaming taxes it is required to pay, the costs of the pari-mutuel operations and supplements,

and remain competitive with the riverboats. Thus, Bluffs Run is competitively disadvantaged by the disparate and escalating gaming tax.

16. Without the grants and charitable gifts many Iowa communities and charitable organizations would not have been able to improve their infrastuctures and/or provide needed services to their citizens or the people they aid.

/s/ A Payne
Anthony Payne

Dated this 27th day of July, 2000.

On this 27th day of July, 2000 before me, a Notary Public, personally appeared Anthony Payne, to me known to be the person named in and who executed the foregoing instrument, and acknowledged that Anthony Payne executed the same as his voluntary act and deed.

/s/ Debra M. Debbaut
Notary Public in the State of Iowa
expires
6/16/00

IN THE IOWA DISTRICT COURT
FOR POLK COUNTY

RACING ASSOCIATION OF CENTRAL IOWA, Plaintiff, DUBUQUE RACING ASSOCIATION, IOWA GREYHOUND ASSOCIATION, IOWA WEST RACING ASSOCIATION, Intervenors, v. MICHAEL FITZGERALD, TREASURER, STATE OF IOWA, Defendant.	)	EQUITY NO. 36601 AFFIDAVIT OF VERNE WELCH

STATE OF IOWA)
) ss:
COUNTY OF POTTAWATTAMIE)

I, Verne Welch, being first duly sworn, state under oath:

1. I have personal knowledge of the following acts and would so testify if called as a witness.

2. I am employed as the Senior Vice President and General Manager of Bluffs Run which is an Iowa corporation with its principal place of business in Council Bluffs, Iowa. Bluffs Run operates a pari-mutuel racetrack and casino facility in Council Bluffs, licensed pursuant to Iowa Code Chapters 99D and 99F.

3. In 1993 Bluffs Run was on the verge of financial insolvency.

4. Without the revenues generated by the slot machines authorized by the 1994 Iowa Legislature and implemented at Bluffs Run in 1995, Bluffs Run would not have survived.

5. Although Bluffs Run's survival is dependent on its slot machine revenues, it has other legislative purposes, including educational, civic, charitable, development of tourism, creation of jobs, creation of new construction, and agriculture. Bluffs Run agricultural purpose is to assist the development of the greyhound breeding industry.

6. Harvey's presently owns the facilities of Bluffs Run. Harvey's purchased the facilities from the Iowa West Racing Association in 1999. Iowa West Racing Association is the license-holder for Bluffs Run and owns the slot machines.

7. Since its acquisition of the Bluffs Run facility, Harveys has spent millions of dollars in improvements and renovations. Included in these projects were improvements to the track surface, repair of kennels, improved lighting on the track, new carpet throughout the facility incorporating a greyhound design, construction of a winner's circle restaurant displaying photographs and information regarding winning greyhounds, new player tracking system and mutuel stations to improve wagering, and the ability to provide more simulcast greyhound racing from other venues. Bluffs Run's web site carries all programs, results and other information regarding greyhounds.

8. To further stimulate greyhound racing, Bluffs Run has created Seven Stakes races where the total purses are

approximately $1 million. The largest stakes purses in the country. Further Bluffs Run sponsors other races where the purses total $4.7 million year-to-date.

9. Bluffs Run spends approximately $1.5 million on advertising greyhound racing at its track. These expenditures include, but are not limited to, a new billboard dedicated exclusively to advertising greyhound racing, highway pylon advertising, marketing of simulcast Bluffs Run races to other venues.

10. As stated above, Bluffs Run is dependent upon the revenues it receives from the slot machines to remain financially viable. Presently, for the calendar year 2000 greyhound racing is operating at a loss of over $3.156 million. This loss is similar to the losses Bluffs Run has suffered in previous years related to greyhound racing.

11. The competition for customers is extremely competitive in the Council Bluffs/Omaha area. Not only must Bluffs Run compete with riverboats it must also compete for racing dollars with Horseman's Park in Omaha a simulcast horse racing facility.

12. The disparate treatment Bluffs Run receives as a result of the Iowa differential wagering tax vis-à-vis what the riverboats must pay makes it extremely difficult for Bluffs Run to compete for customers. In addition, Bluffs Run's ability to compete is further hampered by the lower tax levied against Horsemen's Park by the state of Nebraska. This tax ranges from 2.5% to 4%. Horsemen's Park broadcast simulcast racing and only has two days of live racing all year. As a result Iowa's differential tax rate hampers Bluffs Run's ability to compete.

13. The disparate treatment Bluffs Run receives as a result of the Iowa differential tax makes it difficult for Bluffs Run to expand and improve its facility which further hampers its ability to attract customers. Because of Bluffs Run inability to expand and provide the features of a large simulcast sporting facility has increasingly caused gambling dollars to go to Horseman's Park over the past several years. This amounts to several million dollars of lost revenue.

14. Bluffs Run must also supplement greyhound-racing purses by 7.25% of after tax slot revenues. This amounts to over $6.5 million dollars in 2000.

15. All of these factors make it difficult for Bluffs Run to compete with the riverboats, which do not face the disparate treatment of the Iowa, differential tax. This tax will continue to hamper Bluffs Run's ability to compete in the future, which in turn will have a negative impact upon the greyhound racing industry, and the suppliers of that industry. It will also adversely impact tourism in the Council Bluffs area.

16. As indicated Bluffs Run loses money on its greyhound-related activities. The riverboats are not required to support any industry. The riverboats' operating costs as a percentage to revenues are no greater than the racetracks' operating costs. Bluffs Run cannot pass on to its patrons the additional gaming taxes it is required to pay and remain competitive with the riverboats. Thus, Bluffs Run is competitively disadvantaged by the disparate and escalating gaming tax.

/s/ Verne Welch
Verne Welch

On this 27th day of July, 2000 before me, a Notary Public, personally appeared Verne Welch, to me known to be the person named in and who executed the foregoing instrument, and acknowledged that Verne Welch executed the same as his voluntary act and deed.

[SEAL]	RITA KEARNEY MY COMMISSION EXPIRES 8/24/2001

/s/ Rita Kearney
Notary Public in
the State of Iowa

IN THE IOWA DISTRICT COURT
FOR POLK COUNTY

RACING ASSOCIATION OF CENTRAL IOWA, Plaintiff, v. MICHAEL FITZGERALD, TREASURER, STATE OF IOWA, Defendant.	EQUITY NO. 36601 AFFIDAVIT OF THOMAS L. FLYNN

STATE OF IOWA)
) ss:
COUNTY OF POLK)

I, Thomas L. Flynn, being first duly sworn on oath do depose and state that I am a licensed attorney in the general practice of law in Des Moines, Polk County, Iowa and represent the Racing Association of Central Iowa d/b/a Prairie Meadows Racetrack and Casino.

On or about April 19, 2000, I did request and receive from the Iowa Legislative Service Bureau (the "Bureau") a true and complete copy of the legislative history pertaining to House File 2179, which is attached hereto and certified by Diane E. Bolender, Director of the Bureau. Jonetta Douglas, an employee of the Bureau, advised me that House File 2179, as originally introduced, is on white paper; that proposed amendments to such bill by the Iowa House appear on yellow paper; that the bill as passed by the Iowa House appears on pink paper; that the bill as passed by the Iowa Senate appears on blue paper; and that the bill as enacted appears on white paper.

Dated this 31st day of July, 2000.

/s/ Thomas L. Flynn
Thomas L. Flynn

Subscribed and sworn to before me this 31st day of July, 2000.

/s/ Diana Gumm
Notary Public for the
State of Iowa

GENERAL ASSEMBLY OF IOWA

[LOGO]

LEGISLATIVE SERVICE BUREAU

STATE CAPITOL
DES MOINES, IOWA 50319
(515) 281-3566
FAX (515) 281-8027

April 19, 2000

[Names Omitted In Printing]

Mr. Thomas L. Flynn
Belin Lamson McCormick
Zumbach Flynn
2000 Financial Center
Des Moines, IA 50309

Dear Mr. Flynn:

As custodian of records retained by the Legislative Service Bureau, I certify that the enclosed documents relating to House File 2179 from the 1994 Session of the 75th General Assembly were compiled in accordance with the customary procedures of the Legislative Service

Bureau and represent true and accurate photostatic copies of documents filed in the General Assembly. The documents from which the photostatic copies were made are on file as public records in the Legislative Service Bureau. The complete official documents of enacted bills are in the custody of the Secretary of State.

Sincerely,

/s/ Diane E. Bolender
DIANE E. BOLENDER
Director

[Legislative History Omitted In Printing]

IN THE IOWA DISTRICT COURT
FOR POLK COUNTY

RACING ASSOCIATION OF CENTRAL IOWA, Plaintiff, v. MICHAEL FITZGERALD, TREASURER, STATE OF IOWA, Defendant.	)	EQUITY NO. 36601 AFFIDAVIT OF TONY BISIGNANO

STATE OF IOWA)
) ss:
COUNTY OF POLK)

I, Tony Bisignano, depose and state:

1. I was a member of the Iowa Senate during the Seventy-Fifth General Assembly in both the 1993 and 1994 sessions. I represented Senate District 34, which is in Polk County. I was active in both sessions and between sessions in issues involving legislation relating to gambling in Iowa.

2. As of 1993, Iowa had in place the Iowa Pari-Mutuel Wagering Act (Iowa Code Chapter 99D), legalizing a system of wagering on the results of horse or dog races when conducted within a racetrack enclosure at a licensed horse-race or dog-race facility (hereinafter also referred to as "racetracks"). The only form of gambling allowed at racetracks or dog tracks was pari-mutuel wagering on horse races and dog races. The General Assembly by separate statute (Iowa Code Chapter 99F) had also established a

system of wagering on gambling games conducted on duly licensed excursion gambling boats (hereinafter also referred to as "riverboats"). At that time, the wagering tax on gambling games was in §99F.11, Iowa Code (1993), which provided in relevant part for a tax at a maximum rate of twenty percent on any amount of adjusted gross receipts over $3 million. The statute governing excursion boat gambling also provided that licensees only allow a maximum wager of $5.00 per hand or play and a maximum loss of $200.00 per person during each gambling excursion.

3. During the 1993 legislative session, the Racing Association of Central Iowa (RACI), licensee of the Prairie Meadows Racetrack facility, was in bankruptcy. RACI was cutting back on racing days in an effort to reduce its losses. The dog tracks in Council Bluffs, Waterloo and Dubuque were also experiencing financial difficulties. At the same time, riverboat licensees were being threatened by competition from other states, particularly Illinois, which allowed excursion gambling without the stringent limits imposed by Iowa. One riverboat had moved its operations from Iowa in order to relocate in a state without such limits. As a countermeasure, racetrack licensees sought legislation in the 1993 session to legalize gambling games at their racetrack facilities, and the riverboat licensees sought legislation to increase the limits on losses. Neither group was successful in persuading the General Assembly to enact legislation providing relief for their concerns during the 1993 session.

4. In the interim period before the commencement of the 1994 session, representatives of the racetrack and riverboat interests, together with legislators from the affected areas, met in an effort to reach a consensus on

mutually satisfactory legislation that would alleviate the economic problems both groups were having. Meetings were held over the summer in various locations with members and representatives of both groups, including legislators, participating in the discussions. As a State Senator from Polk County, I participated in those meetings.

5. This coalition reached a consensus agreement prior to the commencement of the 1994 session of the General Assembly. The agreement was that the coalition would support legislation legalizing gambling games (except table games) at racetrack enclosures (but only to those licensed on January 1, 1994) and elimination of the loss limits on riverboats. It was further agreed that all racetrack licensees should use the receipts from gambling games to supplement purses for races, particularly for Iowa-bred horses and greyhounds, and that Prairie Meadows should use its receipts from gambling games, after payment of operating expenses, taxes and fees, to first pay its unpaid debts from its pari-mutuel operations. The essential terms of the agreement were incorporated in an amendment introduced by twelve (12) members of the Iowa House (H-5333) to House File 2179 as filed by the Committee on State Government. As originally filed, H-5333 did not provide a differential relating to the taxation of adjusted gross receipts from gambling games. In fact, as originally filed, H-5333 simply incorporated the tax rates applicable to gambling games at riverboats and made them applicable to gambling games at racetrack enclosures. H-5333, in proposed section 99F.4A(6), provided that "[t]he adjusted gross receipts received from gambling games shall be taxed at the same rates and the proceeds distributed in the same manner as provided in section

99F.11." Thus, the adjusted gross receipts from gambling games were to be taxed equally at racetracks and riverboats.

6. The Speaker of the Iowa House, Harold Van Maanen, a gambling opponent, made it clear that he would allow House consideration and voting on House File 2179 only once, rather than allow additional consideration of the bill if it returned in a different form from the Iowa Senate. Because of that restriction, I and the other legislative proponents of the legislation sought to have the bill come out of the House in a form that would accomplish the coalition's objectives and be acceptable to the bill's proponents in the Senate.

7. During the course of House debate on House File 2179, Rep. Steve Hansen from Woodbury County, the site of a riverboat, filed an amendment (H-5391) that introduced a differential in the tax rates imposed on gambling games on riverboats and gambling games at racetracks. This was contrary to the agreement of the coalition and the legislators who had worked with the coalition in reaching the agreement represented by H-5333. His amendment to Iowa Code 99F.11(1) retained the maximum twenty percent rate of tax on adjusted gross receipts over $3 million on gambling games on riverboats. The amendment, however, taxed the adjusted gross receipts from gambling games at racetracks at the rate of forty percent on any amount over $3 million. The amendment was passed by the House on March 17, 1994.

8. When I and other proponents of H-5333 learned of this amendment, I spoke with Rep. Hansen. He indicated that he was willing to have his amendment reconsidered and defeated but would then offer a new amendment

providing for a two-year moratorium before the tax increase in racetrack gaming took effect in order to give racetrack supporters a change to repeal the tax disparity in the next General Assembly. Subsequently, on the same date, Rep. Hansen filed a motion to reconsider H-5391, which motion was passed, and on reconsideration, H-5391 lost. Rep. Hansen then filed a new amendment from the floor. The new amendment provided that beginning January 1, 1997, the rate on any amount of adjusted gross receipts over $3 million from gambling rates at racetrack enclosures would be twenty-two percent and would increase by two percent each succeeding calendar year until the rate was thirty-six percent. This amendment passed and was part of the bill when it passed the House on March 17, 1994. The amendment was also part of the bill when it subsequently passed the Senate, without being returned to the House, and when it became law upon the signature of the Governor.

/s/ Tony Bisignano
Tony Bisignano

Dated this 24th day of July, 2000.

SUBSCRIBED AND SWORN to before me this 24th day of July, 2000.

/s/ Diana Gumm
NOTARY PUBLIC,
In and For the State of Iowa

IN THE IOWA DISTRICT COURT
FOR POLK COUNTY

RACING ASSOCIATION OF CENTRAL IOWA, Plaintiff, v. MICHAEL FITZGERALD, TREASURER, STATE OF IOWA, Defendant.	)	EQUITY NO. 36601 AFFIDAVIT OF MATT MCCOY

STATE OF IOWA)
) ss:
COUNTY OF POLK)

I, Matt McCoy, depose and state:

1. I was a member of the Iowa House during the Seventy-Fifth General Assembly in both the 1993 and 1994 sessions. I represented House District 67, which is in Polk County. I was active in both sessions and between sessions in issues involving legislation relating to gambling in Iowa.

2. As of 1993, Iowa had in place the Iowa Pari-Mutuel Wagering Act (Iowa Code Chapter 99D), legalizing a system of wagering on the results of horse or dog races when conducted within a racetrack enclosure at a licensed horse-race or dog-race facility (hereinafter also referred to as "racetracks"). The only form of gambling allowed at racetracks or dog tracks was pari-mutuel wagering on horse races and dog races. The General Assembly by separate statute (Iowa Code Chapter 99F) had also established a

system of wagering on gambling games conducted on duly licensed excursion gambling boats (hereinafter also referred to as "riverboats"). At that time, the wagering tax on gambling games was in § 99F.11, Iowa Code (1993), which provided in relevant part for a tax at a maximum rate of twenty per cent on any amount of adjusted gross receipts over $3 million. The statute governing excursion boat gambling also provided that licensees only allow a maximum wager of $5.00 per hand or play and a maximum loss of $200.00 per person during each gambling excursion.

3. During the 1993 legislative session, the Racing Association of Central Iowa (RACI), licensee of the Prairie Meadows Racetrack facility, was in bankruptcy. RACI was cutting back on racing days in an effort to reduce its losses. The dog tracks in Council Bluffs, Waterloo and Dubuque were also experiencing financial difficulties. At the same time, riverboat licensees were being threatened by competition from other states, particularly Illinois, which allowed excursion gambling without the stringent limits imposed by Iowa. One riverboat had moved its operations from Iowa in order to relocate in a state without such limits. As a countermeasure, racetrack licensees sought legislation in the 1993 session to legalize gambling games at their racetrack facilities, and the riverboat licensees sought legislation to increase the limits on losses. Neither group was successful in persuading the General Assembly to enact legislation providing relief for their concerns during the 1993 session.

4. In the interim period before the commencement of the 1994 session, representatives of the racetrack and riverboat interests, together with legislators from the affected areas, met in an effort to reach a consensus on

mutually satisfactory legislation that would alleviate the economic problems both groups were having. Meetings were held over the summer in various locations with members and representatives of both groups, including legislators, participating in the discussions. As a State Representative from Polk County, I participated in those meetings.

5. This coalition reached a consensus agreement prior to the commencement of the 1994 session of the General Assembly. The agreement was that the coalition would support legislation legalizing gambling games (except table games) at racetrack enclosures (but only to those licensed on January 1, 1994) and elimination of the loss limits on riverboats. It was further agreed that all racetrack licensees should use the receipts from gambling games to supplement purses for races, particularly for Iowa-bred horses and greyhounds, and that Prairie Meadows should use its receipts from gambling games, after payment of operating expenses, taxes and fees, to first pay its unpaid debts from its pari-mutuel operations. The essential terms of the agreement were incorporated in an amendment introduced by twelve (12) members of the Iowa House (H-5333) to House File 2179 as filed by the Committee on State Government. I was one of the twelve sponsors of H-5333. As originally filed, H-5333 did not provide a differential relating to the taxation of adjusted gross receipts from gambling games. In fact, as originally filed, H-5333 simply incorporated the tax rates applicable to gambling games at riverboats and made them applicable to gambling games at racetrack enclosures. H-5333, in proposed section 99F.4A(6), provided that "[t]he adjusted gross receipts received from gambling games shall be taxed at the same rates and the proceeds distributed in

the same manner as provided in section 99F.11." Thus, the adjusted gross receipts from gambling games were to be taxed equally at racetracks and riverboats.

6. The Speaker of the Iowa House, Harold Van Maanen, a gambling opponent, made it clear that he would allow House consideration and voting on House File 2179 only once, rather than allow additional consideration of the bill if it returned in a different form from the Iowa Senate. Because of that restriction, I and the other legislative proponents of the legislation sought to have the bill come out of the House in a form that would accomplish the coalition's objectives and be acceptable to the bill's proponents in the Senate.

7. During the course of House debate on House File 2179, Rep. Steve Hansen from Woodbury County, the site of a riverboat, filed an amendment (H-5391) that introduced a differential in the tax rates imposed on gambling games on riverboats and gambling games at racetracks. This was contrary to the agreement of the coalition and the legislators who had worked with the coalition in reaching the agreement represented by H-5333. His amendment to Iowa Code 99F.11(1) retained the maximum twenty percent rate of tax on adjusted gross receipts over $3 million on gambling games on riverboats. The amendment, however taxed the adjusted gross receipts from gambling games at racetracks at the rate of forty percent on any amount over $3 million. No reasons were offered by Rep. Hansen or any other House Representatives for taxing racetracks at a higher rate than riverboats. The amendment was passed by the House on March 17, 1994.

8. When I and other proponents of H-5333 learned of this amendment, I spoke with Rep. Hansen. He indicated that he was willing to have his amendment reconsidered and defeated but would then offer a new amendment providing for a two-year moratorium before the tax increase in racetrack gaming took effect in order to give racetrack supporters a change to repeal the tax disparity in the next General Assembly. Subsequently, on the same date, Rep. Hansen filed a motion to reconsider H-5391, which motion was passed, and on reconsideration, H-5391 lost. Rep. Hansen then filed a new amendment from the floor. The new amendment provided that beginning January 1, 1997, the rate on any amount of adjusted gross receipts over $3 million from gambling rates at racetrack enclosures would be twenty-two percent and would increase by two percent each succeeding calendar year until the rate was thirty-six percent. This amendment passed and was part of the bill when it passed the House on March 17, 1994. The amendment was also part of the bill when it subsequently passed the Senate, without being returned to the House, and when it became law upon the signature of the Governor.

/s/ Matt McCoy
Matt McCoy

Dated this 21st day of July, 2000.

SUBSCRIBED AND SWORN to before me this 21 day of July, 2000.

/s/ Diana Gumm
NOTARY PUBLIC,
In and For the State of Iowa

IN THE IOWA DISTRICT COURT
FOR POLK COUNTY

RACING ASSOCIATION OF CENTRAL IOWA, Plaintiff, DUBUQUE RACING ASSOCIATION, LTD., IOWA GREYHOUND ASSOCIATION, IOWA WEST RACING ASSOCIATION, Intervenors, v. MICHAEL FITZGERALD, TREASURER, STATE OF IOWA, Defendant.	)	EQUITY NO. 36601 AFFIDAVIT OF BRENT SIEGRIST

STATE OF IOWA	)	
	)	SS:
COUNTY OF POTTAWATTAMIE	)	

I, Brent Siegrist, being first duly sworn, state under oath:

1. I was a member of the Iowa House during the Seventy-Fifth General Assembly in both in 1993 and 1994 sessions. I represented House District 84, which is in Pottawattamie County. I was active in both sessions in issues involving legislation relating to gambling in Iowa. At that time, as a member of the Republican Party, I

served as Majority Leader and I am presently Speaker of the House.

2. As of 1993, Iowa had in place the Iowa Pari-Mutuel wagering Act (Iowa Code Chapter 99D), legalizing a system of wagering on the results of horse or dog races when conducted within a racetrack enclosure at a licensed horse-race or dog-race facility (hereinafter also referred to as "racetracks"). The only form of gambling allowed at racetracks or dog tracks was pari-mutuel wagering on horse races and dog races which also included simulcast wagering at these tracks. The General Assembly by separate statute (Iowa Code Chapter 99F) had also established a system of wagering on gambling games conduced on duly licensed excursion gambling boats (hereinafter also referred to as "riverboats"). At that time, the wagering tax on gambling games was in section 99F.11, Iowa Code (1993), which provided in relevant part for a tax at a maximum rate of twenty percent on any amount of adjusted gross receipts over $3 million. The statute governing excursion boat gambling also provided that licensees only allow a maximum wager of $5.00 per hand or play and a maximum loss of $200.00 per person during each gambling excursion.

3. During the 1993 legislative session, the Racing Association of Central Iowa (RACI), licensee of the Prairie Meadows Racetrack facility, was in bankruptcy. RACI was cutting back on racing days in an effort to reduce losses. The dog tracks in Council Bluffs, (Bluffs Run), Waterloo and Dubuque were also experiencing financial difficulties. At the same time, riverboat licensees were threatened by competition from other states, particularly Illinois, which allowed excursion gambling without the stringent limits imposed, by Iowa. One riverboat had moved its operations

from Iowa in order to relocate in a state without such limits. As a countermeasure, racetrack licensees sought legislation in the 1993 session to legalize gambling games at their racetrack facilities, and the riverboat licensees sought legislation to increase the limits on losses. Neither group was successful in persuading the General Assembly to enact legislation providing relief for their concerns during the 1993 session.

4. In the interim period before the commencement of the 1994 session, representatives of the racetrack and riverboat interests, together with legislators from the affected areas, met in an effort to reach a consensus on mutually satisfactory legislation that would alleviate the economic problems both groups were having. Meetings were held over the summer in various locations with members and representatives of both groups, including legislators, participating in the discussions. As a State Representative from Pottawattamie County, I participated in those meetings.

5. This coalition reached a consensus agreement prior to the commencement of the 1994 session of the General Assembly. The agreement was that the coalition would support legislation legalizing gambling games (except table games) at racetrack enclosures (but only to those licensed on January 1, 1994) and elimination of the loss limits on riverboats. It was further agreed that all racetrack licensees should use some of the receipts from gambling games to supplement purses for races, particularly for Iowa-bred horses and greyhounds. The essential terms of the agreement were incorporated in an amendment introduced by twelve (12) members of the Iowa House (H-5333) to House File 2179 as filed by the Committee on State Government. As originally filed, H-5333 did

not provide a differential relating to the taxation of adjusted gross receipts from gambling games. In fact, as originally filed, H-5333 simply incorporated the tax rates applicable to gambling games at riverboats and made them applicable to gambling games at racetrack enclosures. H-5333, in proposed section 99F.4A(6) provided that "[t]he adjusted gross receipts received from gambling games shall be taxed at the same rates and the proceeds distributed in the same manner as provided in section 99F.11." Thus, the adjusted gross receipts from gambling games were to be taxed equally at racetracks and riverboats.

6. The Speaker of the Iowa House, Harold Van Maanen, a gambling opponent, made it clear that he would allow House consideration and voting on House File 2179 only once, rather than allow additional consideration of the bill if it returned in a different form from the Iowa Senate. Because of that restriction, the proponents of the legislation sought to have the bill come out of the House in a form that would accomplish the coalition's objectives and be acceptable to the bill's proponents in the Senate.

7. During the course of House debate on House File 2179, Rep. Steve Hansen from Woodbury County, the site of a riverboat filed an amendment (H-5391) that introduced a differential in the tax rates imposed on gambling games on riverboats and gambling games at racetracks. This was contrary to the agreement of the coalition and the legislators who had worked with the coalition in reaching the agreement represented by H-5333. His amendment to Iowa Code section 99F.11(1) retained the maximum twenty percent rate of tax on adjusted gross receipts over $3 million on gambling games on riverboats. The amendment, however, taxed the adjusted gross

receipts from gambling games at racetracks at the rate of forty percent on any amount over $3 million. No reasons were offered by Rep. Hansen or any other House Representative for taxing racetracks at a higher rate than riverboats. The Hose passed the amendment on March 17, 1994.

8. When I and other proponents of H-5333 learned of this amendment, Rep. Hansen was approached. He indicated that he was willing to have his amendment reconsidered and defeated but would then offer a new amendment providing for a two-year moratorium before the tax increase in racetrack gaming took effect in order to give racetrack supporters a chance to repeal the tax disparity in the next General Assembly. Subsequently, on the same date, Rep. Hansen filed a motion to reconsider H-5391, which motion passed, and on reconsideration, H-5391 lost. Rep. Hansen then filed a new amendment from the floor. The new amendment provided that beginning January 1, 1997, the rate on any amount of adjusted gross receipts over $3 million from gambling rates at racetrack enclosures would be twenty-two percent and would increase by two percent each succeeding calendar year until the rate was thirty-six percent. This amendment passed and was part of the bill when it passed the House on March 17, 1994. The amendment was also part of the bill when it subsequently passed the Senate, without being returned to the House, and when it became law upon the signature of the Governor.

/s/ Brent Siegrist
Brent Siegrist

Dated this 27th day of July, 2000.

On this 27th day of July, 2000 before me, a Notary Public, personally appeared Brent Siegrist, to me known to be the person named in and who executed the foregoing instrument, and acknowledged that Brent Siegrist executed the same as his voluntary act and deed.

/s/ Debra M. Debbout
Notary Public in the
State of Iowa Expires 6/16/00

IN THE IOWA DISTRICT COURT FOR
POLK COUNTY

RACING ASSOCIATION OF CENTRAL IOWA, Plaintiff, DUBUQUE RACING ASSOCIATION, IOWA GREYHOUND ASSOCIATION, IOWA WEST RACING ASSOCIATION, Intervenors, v. MICHAEL FITZGERALD, TREASURER, STATE OF IOWA, Defendant.	EQUITY NO. 36601 AFFIDAVIT OF MICHAEL GRONSTAL

STATE OF IOWA)
) SS:
COUNTY OF POTTAWATTAMIE)

I, Michael Gronstal, being first duly sworn, state under oath:

1. I was a member of the Iowa Senate during the Seventy-Fifth General Assembly in both the 1993 and 1994 sessions. I am a Democrat and represented Senate district 42, which is in Pottawattamie County. I was active in both sessions in issues involving legislation relating to gambling in Iowa.

2. As of 1993, Iowa had in place the Iowa Pari-Mutuel Wagering Act (Iowa Code Chapter 99D), legalizing a system of wagering on the results of horse or dog races when conducted within a racetrack enclosure at a licensed horse-race or dog-race facility (hereinafter also referred to as "racetracks"). The only form of gambling allowed at racetracks or dog tracks was pari-mutuel wagering on horse races and dog races which included simulcast wagering at these tracks. The General Assembly by separate statute (Iowa Code Chapter 99F) had also established a system of wagering on gambling games conducted on duly licensed excursion gambling boats (hereinafter also referred to as "riverboats"). At that time, the wagering tax on gambling games was in section 99F.11, Iowa Code (1993), which provided in relevant part for a tax at a maximum rate of twenty percent on any amount of adjusted gross receipts over $3 tax at a maximum rate of twenty percent on any amount of adjusted gross receipts over $3 million. The statute governing excursion boat gambling also provided that licensees only allow a maximum wager of $5.00 per hand or play and a maximum loss of $200.00 per person during each gambling excursion.

3. During the 1993 legislative session, the Racing Association of Central Iowa (RACI), licensee of the Prairie Meadows Racetrack facility, was in bankruptcy. RACI was cutting back on racing days in an effort to reduce losses. The dog tracks in Council Bluffs (Bluffs Run), Waterloo and Dubuque were also experiencing financial difficulties. At the same time, riverboat licensees were threatened by competition from other states, particularly Illinois, which allowed excursion gambling without the stringent limits imposed, by Iowa. One riverboat had moved its operations from Iowa in order to relocate in a state without such

limits. As a countermeasure, racetrack licensees sought legislation in the 1993 session to legalize gambling games at their racetrack facilities, and the riverboat licensees sought legislation to increase the limits on losses. Neither group was successful in persuading the General Assembly to enact legislation providing relief for their concerns during the 1993 session.

4. In the interim period before the commencement of the 1994 session, representatives of the racetrack and riverboat interests, together with legislators from the affected areas, met in an effort to reach a consensus on mutually satisfactory legislation that would alleviate the economic problems both groups were having. Meetings were held over the summer in various locations with members and representatives of both groups, including legislators, participating in the discussions. As a State Senator from Pottawattamie County, I participated in those meetings.

5. This coalition reached a consensus agreement prior to the commencement of the 1994 session of the General Assembly. The agreement was that the coalition would support legislation legalizing gambling games (except table games) at racetrack enclosures (but only to those licensed on January 1, 1994) and elimination of the loss limits on riverboats. It was further agreed that all racetrack licensees should use some of the receipts from gambling games to supplement purses for races, particularly for Iowa-bred horses and greyhounds. The essential terms of the agreement were incorporated in an amendment introduced by twelve (12) members of the Iowa House (H-5333) to House File 2179 as filed by the Committee on State Government. As originally filed, H-5333 did not provide a differential relating to the taxation of

adjusted gross receipts from gambling games. In fact, as originally filed, H-5333 simply incorporated the tax rates applicable to gambling games at riverboats and made them applicable to gambling games at racetrack enclosures. H-5333, in proposed section 99F.4A(6), provided that "[t]he adjusted gross receipts received from gambling games shall be taxed at the same rates and the proceeds distributed in the same manner as provided in section 99F.11." Thus, the adjusted gross receipts from gambling games were to be taxed equally at racetracks and riverboats.

6. In 1994 during debate on House File 2179 I was the State Government Committee Chair and floor managed the bill in the Senate.

7. The Speaker of the Iowa House, Harold Van Maanen, a gambling opponent, made it clear that he would allow House consideration and voting on House File 2179 only once, rather than allow additional consideration of the bill if it returned in a different form from the Iowa Senate. Because of that restriction, the proponents of the legislation sought to have the bill come out of the House in a form that would accomplish the coalition's objectives and be acceptable to the bill's proponents in the Senate. I had the votes in the Senate to strike the escalating tax but we decided that rather than risk losing the whole bill we decided to pass it in the form approved by the House.

8. During the course of House debate on House File 2179, Rep. Steve Hansen from Woodbury County, the site of a riverboat, filed an amendment (H-5391) that introduced a differential in the tax rates imposed on gambling games on riverboats and gambling games at racetracks. This was contrary to the agreement of the coalition and

the legislators who had worked with the coalition in reaching the agreement represented by H-5333. His amendment to Iowa Code section 99F.11(1) retained the maximum twenty percent rate of tax on adjusted gross receipts over $3 million on gambling games on riverboats. The amendment, however, taxed the adjusted gross receipts from gambling games at racetracks at the rate of forty percent on any amount over $3 million. No reasons were offered by Rep. Hansen or any other House Representative for taxing racetracks at a higher rate than riverboats. The House passed the amendment on March 17, 1994.

9. When I and other proponents of H-5333 learned of this amendment, Rep. Hansen was approached. He indicated that he was willing to have his amendment reconsidered and defeated but would then offer a new amendment providing for a two-year moratorium before the tax increase in racetrack gaming took effect in order to give racetrack supporters a chance to repeal the tax disparity in the next General Assembly. Subsequently, on the same date Rep. Hansen filed a motion to reconsider H-5391, which motion passed, and on reconsideration, H-5391 lost. Rep. Hansen then filed a new amendment from the floor. The new amendment provided that beginning January 1, 1997, the rate on any amount of adjusted gross receipts over $3 million from gambling rates at racetrack enclosures would be twenty-two percent and would increase by two percent each succeeding calendar year until the rate was thirty-six percent. This amendment passed and was part of the bill when it passed the House on March 17, 1994. The amendment was also part of the bill when it subsequently passed the Senate, without being

returned to the House, and when it became law upon the signature of the Governor.

/s/ Michael Gronstal
Michael Gronstal

Dated this 27th day of July, 2000.

On this 27th day of July, 2000 before me, a Notary Public, personally appeared Michael Gronstal, to me known to be the person named in and who executed the foregoing instrument, and acknowledged that Michael Gronstal executed the same as his voluntary act and deed.

/s/ Debra M. Debbout
Notary Public in the
State of Iowa Expires 6/16/03

IN THE IOWA DISTRICT COURT
FOR POLK COUNTY

RACING ASSOCIATION OF CENTRAL IOWA, Plaintiff, v. MICHAEL FITZGERALD, TREASURER, STATE OF IOWA, Defendant.	EQUITY NO. 36601 AFFIDAVIT OF MARY KRAMER

STATE OF IOWA)
) ss:
COUNTY OF POLK)

I, Mary Kramer, depose and state:

1. I was a member of the Iowa Senate during the Seventy-Fifth General Assembly in both the 1993 and 1994 sessions. I represented Senate District 37, which is in Polk County. I was active in both sessions in issues involving legislation relating to gambling in Iowa. I am presently President of the Iowa Senate.

2. In August, 1993, I was appointed by Governor Terry Branstad to serve on a bipartisan working group ("Gaming Study Committee") to conduct a study of Iowa's gaming laws, which Gaming Study Committee was co-chaired by Edward Stanek and Lorraine May.

3. As a member of the Gaming Study Committee, I reviewed substantial information furnished by various

sources and attended two meetings. Among other things, the Gaming Study Committee gave consideration to the following factors:

a. Chapters 99D, 99E and 99F of the Iowa Code were enacted to promote economic development, increase jobs, generate tax revenue and support riverfront development.

b. The bet and loss limits under which the Iowa riverboats were then operating placed them at a disadvantage to riverboats from Illinois.

c. The Iowa racetracks were having serious financial problems and faced closure, which would be detrimental to the agricultural industries dependent on them.

4. Among other things, and in an effort to enhance revenues and the ability to compete, the Gaming Study Committee recommended that the bet and loss limits on Iowa riverboats be eliminated and that slot machines be allowed in the Iowa racetracks. In its recommendation, the Gaming Study Committee, at pages 35-36 thereof, stated that because the racetracks "could function with a lower operating cost," the state should receive a gaming tax of up to 24% of adjusted gross revenues over three million dollars received from the slot machines. I am not aware of, or ever recall seeing, any financial information which supported the statement that racetracks "could function with a lower operating cost" and have no personal knowledge one way or the other concerning this statement.

5. I am not aware of any reasons ever given in the Iowa Senate in conjunction with the passage of House File 2179 as to why Iowa racetracks should have their adjusted gross receipts taxed at 36% and Iowa riverboats have their

adjusted gross receipts taxed at only 20%. The Gaming Study Committee never discussed or contemplated a gaming tax disparity of this degree.

/s/ Mary Kramer
Mary Kramer

Dated this 28 day of July, 2000.

SUBSCRIBED AND SWORN to before me this 28 day of July, 2000.

/s/ [Illegible]
NOTARY PUBLIC,
In and For the State of Iowa

IN THE IOWA DISTRICT COURT
FOR POLK COUNTY

RACING ASSOCIATION OF CENTRAL IOWA, Plaintiff, v. MICHAEL FITZGERALD, TREASURER, STATE OF IOWA, Defendant.	EQUITY NO. 36601 DECLARATION OF EUGENE CHRISTIANSEN

I, Eugene Christiansen, declare the following:

1. I am the Chairman of Christiansen Capital Advisors. I have nearly 25 years of experience in the gaming industry as an executive and a consultant. I have personally authored numerous studies on the economics, taxation, financial structure and regulation of gaming. Attached is a copy of my curriculum vitae.

2. I am familiar with the tax imposed by Iowa Code § 99F.11 on the adjusted gross receipts from gambling games at race tracks. This tax is unique. In other states in the nation which allow slot machines and/or video lottery terminals, they are taxed and/or revenue shared by the state for the most part at the same rate regardless of where the device is located. For example, this is true in Montana, Nevada, Oregon, South Carolina, and South Dakota which currently allow slot machines in different kinds of enterprises. [Montana R.S. 23-5-612(1), Nevada R.S. 463.370, Oregon R.S. 461.547, South Carolina R.S. § 12-22-510(A), South Dakota R.S. 42-7A-63.))

3. Louisiana, the only other state besides Iowa that authorizes slot machines both on excursion gambling boats and at racetracks, has a slightly lower tax rate (18 percent vs. 18.5 percent) for slot machines at racetracks.

4. No other state has established a tax rate that is 80 percent higher (36 vs. 20 percent) depending on the location of the device.

5. Only one state (Illinois) has an adjusted gross receipts tax on any form of gaming revenues that approaches 36 percent. Illinois recently enacted an adjusted gross receipts of 35 percent on annual riverboat gaming revenues in excess of $100,000,000. 230 ILCS 10. Significantly, the 35 percent tax level only applies to revenues in excess of $100,000,000. It is my belief that only riverboats in the Chicago area will have adjusted gross receipts at this level. There is a riverboat that is being moved from the Mississippi River to Rosemont (suburban Chicago). Pursuant to the same Illinois legislation, that riverboat will have to pay 15 percent of adjusted gross receipts into a special state fund to support horse racing

6. Furthermore, spinning-reel only slot machines at racetracks in Iowa may be at a competitive disadvantage to riverboats (that are allowed to operate a full-complement of slot machines including video devices, and limited table gaming). From previous Christiansen Capital Advisors studies of the experience with gaming devices at pari-mutuels or neighborhood retail businesses, we conclude that these variables bear materially on how these devices perform. Moreover, from these previous studies, Christiansen Capital Advisors is able to draw some important conclusions regarding the use of these machines:

- Video poker, while an attractive product, is not as attractive as the slot (reel) machine. Further, actual spinning reels appear to be more popular than video facsimiles of spinning reels.
- However, the public prefers a broad spectrum of machines, including video facsimiles of other games of chance, to only one kind of machine (as at Iowa racetracks). Restrictions on the types of machines allowed at pari-mutuels have been shown to limit potential revenues.

I certify under penalty of perjury and pursuant to the laws of Iowa that the preceding is true and correct.

August 7, 2000 — Date

/s/ Eugene Christiansen — Eugene Christiansen

Eugene M. Christiansen

Mr. Christiansen has been active as an executive and consultant to the commercial gambling and entertainment industries since 1976. In the area of commercial gambling, he has conducted studies of the economics, taxation, financial structure, and regulation of casino gaming, pari-mutuel wagering, and lotteries, and has counseled Manhattan and Washington, D.C. law firms in legal proceedings where gambling was an issue.

Representative work includes studies of the efficiency of a U.S. state lottery; estimates of the demand for casino gaming, lotteries, and pari-mutuel wagering in U.S. and foreign markets; the feasibility and revenue potential of

off-track betting; the financial structure of the Atlantic City casino industry; the impact of gambling on U.S. Indian reservation lands on state-authorized gambling industries; analyses of gambling taxation; procedures to increase wagering and improve the efficiency of parimutuel betting operations; the changing nature of communications media and the implications of the changes for horse racing; the interrelationships among evolving consumer expectations, casino gaming, and other forms of entertainment; the evaluation of a proposed cable television network for a major U.S. telecommunications company; and assessment of acquisition prospects for a major equity fund.

Mr. Christiansen is the author of numerous articles dealing with casinos, horse racing, greyhound racing, jai alai, off-track betting, lotteries and related activities in trade, professional, and academic publications. He prepares authoritative statistical reports that are widely used domestically and abroad, including annual analyses of the gross wager of the United States which appear in *International Gaming and Wagering Business* magazine and other trade publications. These are recognized throughout the world as the most comprehensive and authoritative description of the gambling industries of the U.S. He is also a co-author of an influential academic study of gambling, *The Business of Risk: Commercial Gambling in Mainstream America* (University Press of Kansas, 1985).

Mr. Christiansen is a member of the advisory boards of the National Council on Problem Gambling and the Institute for the Study of Gambling and Commercial Gaming at the University of Nevada, Reno. He has also served on the faculty of that University's Executive Development Program.

Mr. Christiansen has accepted numerous invitations to address conferences concerned with casinos, the racing industry, real estate, the International Bar Association, and the Washington Journalism Center. He has also testified on various aspects of commercial gambling before Congress and state and local governments. His comments regarding gambling matters are often sought by the news media.

Mr. Christiansen is a graduate of the University of California at Berkeley.